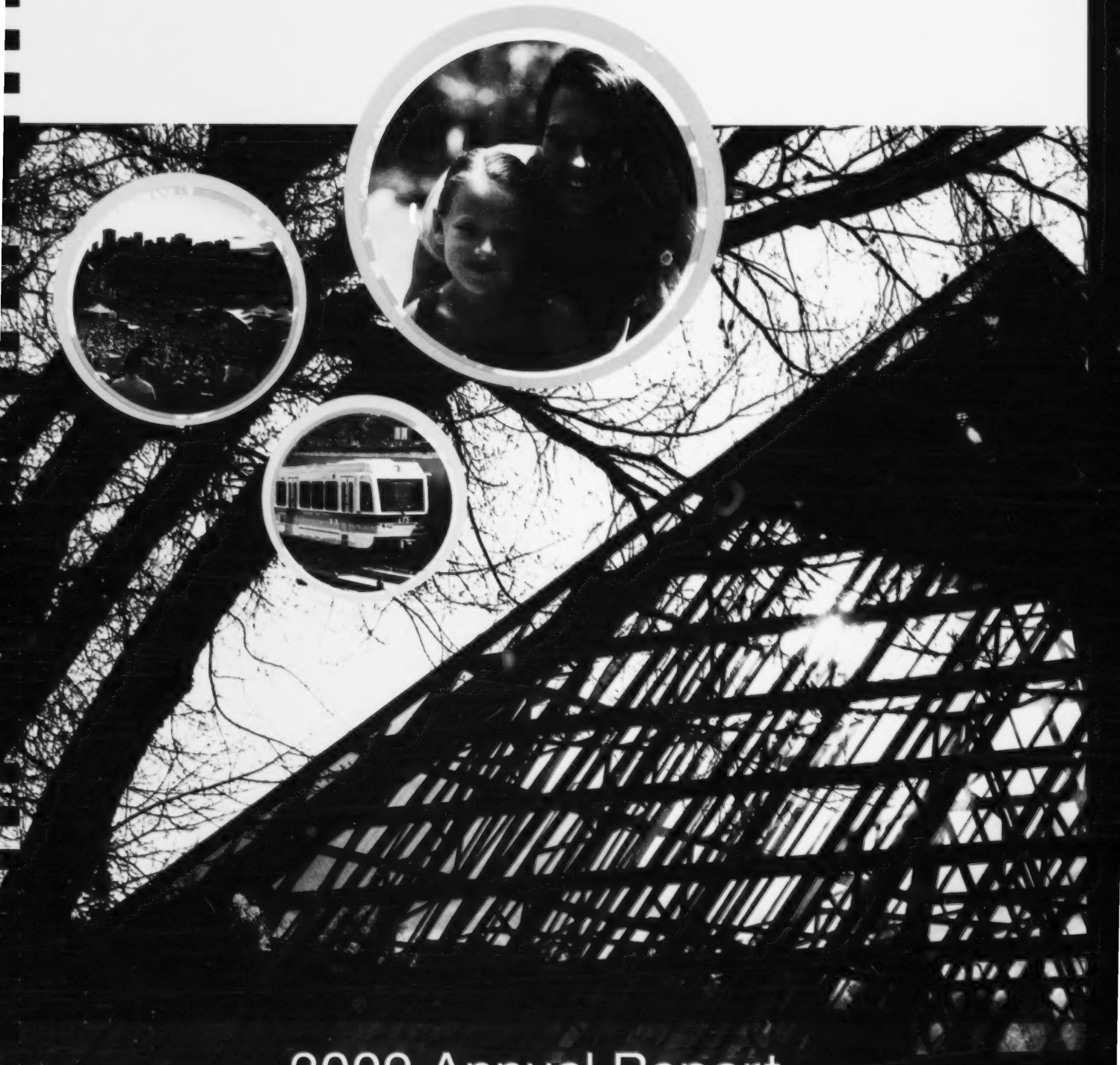
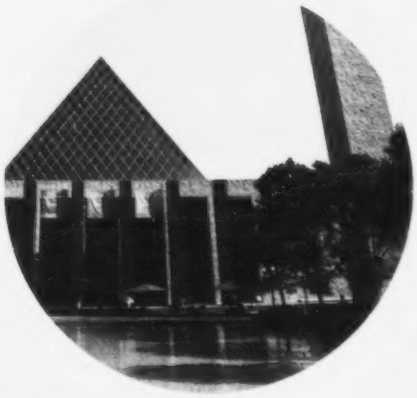
EDMONTON



2009 Annual Report

The City of Edmonton, Alberta, Canada

For the year ended December 31, 2009



Population

- Edmonton: 782,439*
- Metropolitan: 1,034,945**

Land Area

- Edmonton: 700 square kilometres (69,980 hectares)
- Metropolitan: 9,537 square kilometres

* based on 2009 City Census
** based on 2006 Canada Census

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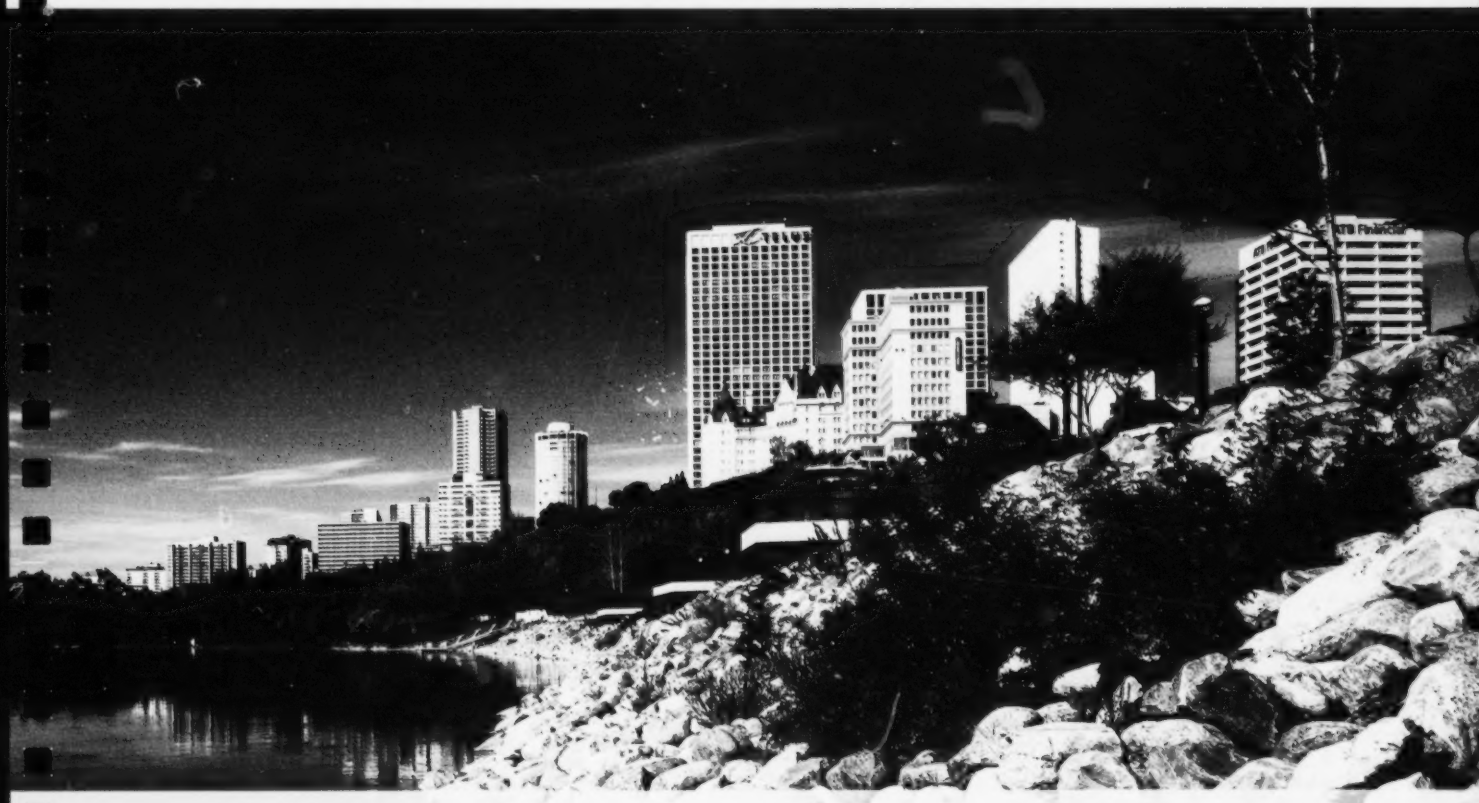


2009 Annual Report
The City of Edmonton, Alberta, Canada

Our Mission

The City of Edmonton focuses on:

- the delivery of effective, efficient and citizen-oriented services
- sound leadership and teamwork
- responsible use of resources (financial, people and assets)

Produced by the Finance & Treasury Department of the City of Edmonton,
in cooperation with all civic departments, offices and agencies.

Edmonton **Up Close**

Canada's sixth largest census metropolitan area with over one million people, Edmonton is a magnetic capital offering an ideal balance of lifestyle and opportunity.

Working

There are few better places to build a career or launch a business than at the centre of energy-rich Alberta. Having weathered the recession better than other North American cities, Edmonton is ready to capitalize on the recovery. Advantaged with an excellent school system and home to 10 post-secondary institutions – including internationally recognized research facilities at the University of Alberta and the nation's largest trainer of skilled trades at NAIT – Edmonton offers a broad, diverse talent pool. Creative, entrepreneurial and well educated, the regional workforce spurs advances in such fields as technology, health care and finance.

Living

High per capita income, low taxes and short commutes make enjoying life more affordable here. The North Saskatchewan River Valley system comprises the largest urban park in North America, excellent for biking, hiking, downhill and cross-country skiing, skating, soccer, paddling and exploring Edmonton's cherished natural environment. The city's boutique shops, local markets, a vast culinary array of restaurants and diverse family attractions enrich the community experience. Edmontonian's strong commitment to volunteering has made it possible to attract events on a global scale and cultivated an enviable list of year-round festivals.

Services

Edmonton's civic leadership provides residents with high value for tax dollars, and enables programs that become the model for communities around the world. From leading-edge environmental management – ISO 14001 certification, city-wide recycling and composting programs, a Waste Management Centre of Excellence – to a growing public transportation system and essential safety services, the City is responsive to citizen demands, promoting a green, safe and friendly atmosphere.

Scene

Over 35 annual festivals, more than 60 art galleries, dozens of performing arts companies and a regular slate of international events nurture a lively local scene. Along with the newly redesigned Art Gallery of Alberta (re-opened January 2010), the acoustically magnificent Winspear Centre and renowned Citadel Theatre anchor a thriving downtown cultural district. Over 50 distinct cultures contribute to a rich multicultural tapestry that adds beauty and character to the community.

Economic Climate

Business fundamentals remain strong and the region's resilient economy has fared better than most.

Like the rest of the world, Edmonton has been challenged to adjust to current economic realities. At the same time, business fundamentals remain strong and the region's resilient economy has fared better than most.

Edmonton's census recorded confidence in our city. Census results as of April 1, 2009 showed the city continued to be a choice destination for newcomers, with Edmonton's population increasing by 30,000 over the previous year. Many were 25 to 34 year olds, drawn to the opportunities of Edmonton's diverse economy and quality of life. In 2009, per capita personal income was 20 per cent higher than the Canadian average. The Real Estate Investment Network affirmed Edmonton's potential, proclaiming it the "best place to invest in real estate" in North America.

After a nearly decade-long boom that strained local labour capacity and inflated materials costs, the recession offers time for the regional economy to refuel and refocus. With the region's GDP predicted to grow at a healthy and moderate rate of 2.1 per cent in 2010, development should proceed at a sustainable pace as investments are stretched over the longer term.

The regional economy remains a driving force internationally, with over $30 billion being invested in major projects planned, underway or scheduled for completion in greater Edmonton. With oil prices forecast to stabilize at or above an estimated $65 – $75 per barrel, the energy sector is renewing momentum. Strengths in other key sectors including retail, health care, technology and education will help maintain economic activity levels above the national average.

With responsible fiscal policy, innovative management and a business-friendly ethic, the City of Edmonton remains on firm footing with an AA (high) credit rating. This is higher than any other similar-sized city in Canada and matched only by Calgary. Wise investments in major infrastructure projects such as LRT extension, bridge re-development and multi-purpose recreation centres are enhancing the region's already high standard of living.

In a volatile global market, sound fiscal and regulatory practices have shown Canada to be a model to the world. As part of a wealthy western province with abundant resources, low taxes and one of the most educated populations, Edmonton claims an enviably stable position as one of the world's great midsize cities.

Message from **City Council**

City Council (elected October 15, 2007)
Back row (left to right): Dave Thiele, Ben Henderson, Ron Hayter, Don Iveson, Ed Gibbons, Bryan Anderson, Tony Caterina
Front row (left to right): Amarjeet Sohi, Karen Leibovici, Jane Batty, Mayor Stephen Mandel, Kim Krushell, Linda Sloan

The City of Edmonton has continued to weather fluctuations in global markets as well as a shifting economic climate closer to home. Our focus as a Council has been on charting a stable and sustainable path through those changes, while making decisions that are responsive and accountable to the needs of citizens.

Our priority has been to maintain our high standard of living in our city and pursue ways to enhance the quality of life for future generations. We have approved a new expansive network map for our LRT system – making way for the largest single infrastructure project ever undertaken in Edmonton. Guided by our new Transportation Master Plan approved in 2009 and a new Municipal Development Plan finalized in 2010, our investments will shape the way we plan our city, integrating public transportation with our communities and growth plans for a more compact and sustainable Edmonton.

We continue our work to become the nation's leader in environmental sustainability. We were proud to host the world at the ICLEI conference on environmental sustainability in June 2009. Further recognition of our environmental programs from the Copenhagen Climate Change Summit and topping the list of *Corporate Knights Magazine* Most Sustainable Cities in Canada confirmed Edmonton is on the right path.

The past year brought an increased public awareness of fiscal accountability and Council has taken the concerns of Edmontonians seriously. During 2009, we made significant budget adjustments to meet the fiscal challenges with minimal impact on services and bringing in an operational tax increase of only 3 per cent in order to respect the challenges we know our citizens face. Moving into 2010, we will continue to make adjustments that are responsive to current issues and supportive of our future priorities for our city.

We, on City Council, are committed to ensuring the success of our city, balancing the needs of our current citizens with future residents and working together to position Edmonton for future growth and prosperity.

Message from the **City Manager**

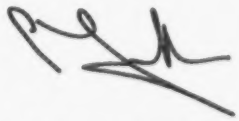
As Edmonton's new City Manager, I am proud to present this 2009 annual report on behalf of my colleagues. I applaud their successful efforts to navigate through a challenging economic climate over the past year and deliver a high standard of services to citizens.

The City of Edmonton's Administration made several prudent decisions in 2009 to rebalance a budget affected by external economic forces. They ensured core services would not be interrupted by shifting stable, predictable revenues to operational areas. The more volatile revenues are now directed to capital projects that can be rescheduled if necessary. Administration adjusted the levels of some services, but targeted change to areas that impact citizens the least.

I am fortunate to join an organization with clearly articulated goals such as those City Council has outlined in its strategic plan, *The Way Ahead*. We are now making progress on defining outcomes and explicit measures to track our success toward reaching these goals.

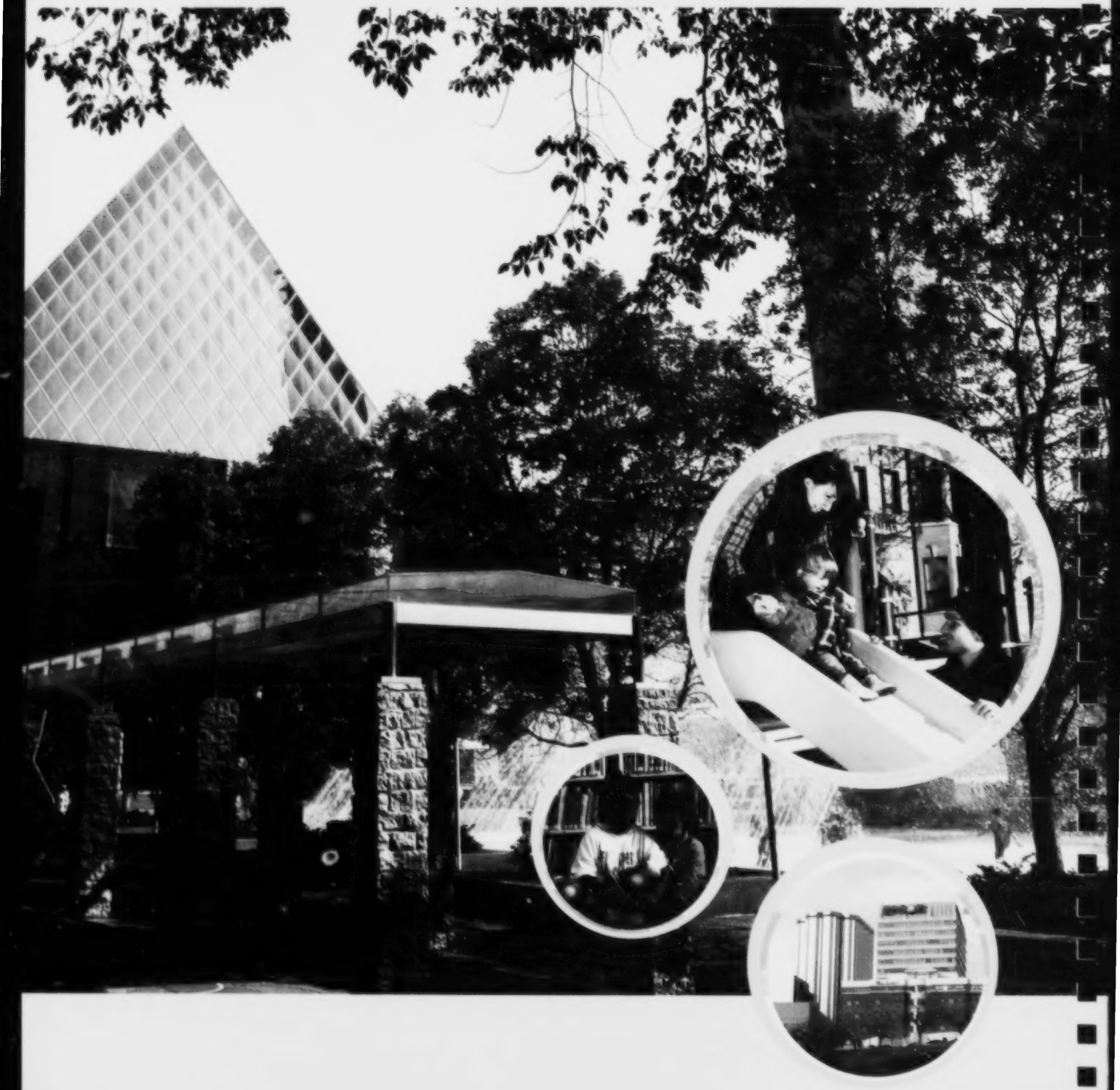
The City of Edmonton has a talented workforce and a gifted team of leaders. I will work with them to open new channels for collaboration and strategic thinking.

The City of Edmonton has built a reputation as a municipal organization to watch. Innovation and new thinking is emerging here. I have encountered outstanding levels of professionalism in my first months with the City of Edmonton, but I believe there remains even more potential in our staff that is yet to be tapped.



Simon Farbrother, MCIP, RPP, MA
City Manager

Political and Administrative Structure



A 12 ward system, each represented by a single City Councillor, will be implemented with the next municipal election, Monday, October 18, 2010.

City Council

Edmonton is governed by an elected City Council comprised of a Mayor and 12 Councillors. Together they provide leadership and direction to the City Manager and City Administration. Elections are held every three years.

On July 22, 2009 City Council adopted revisions to the electoral system. The revisions will move from having six wards, each represented by two City Councillors to divide Edmonton into 12 wards, each represented by a single City Councillor. This system will come into effect with the next municipal election on Monday, October 18, 2010.

City Council meetings are held two to three times a month. City Council has a number of standing committees that meet regularly. Meetings are open to the public.

City Manager

Appointed by City Council as Chief Administrative Officer, the City Manager implements City Council policies and manages day-to-day operations to ensure that citizens have access to the essential services needed in a livable city. Simon Farbrother assumed responsibility as City Manager on January 18, 2010, replacing Al Maurer who retired after serving as City Manager for the prior ten years. City Administration is organized into eight departments reporting to the City Manager, each responsible for a particular aspect of public service.

Office of the City Auditor

Appointed by and accountable to City Council, the City Auditor performs the key roles of guardian and agent of change, providing independent reviews of civic departments and programs through audits and other studies.

EPCOR Utilities Inc.

EPCOR Utilities Inc. (EPCOR) is wholly owned by the City of Edmonton and City Council appoints the utility's Board of Directors and Chairman. Headquartered in Edmonton, EPCOR builds, owns and operates electrical transmission and distribution networks, and water and wastewater treatment facilities and infrastructure in Canada. The Gold Bar Wastewater Treatment Facility operation was transferred from the City to EPCOR effective March 31, 2009.

In early July 2009, EPCOR created Capital Power Corporation and subsidiaries (Capital Power), a power generation company also headquartered in Edmonton. Substantially all of EPCOR's power generation assets and related operations were sold to Capital Power. Effectively, EPCOR sold 27.8 per cent of its interest in the power generation business and through an equity investment, retains a 72.2 per cent interest in that business. As a result of certain restrictive rights established, EPCOR maintains influence but not control of Capital Power.

Political and Administrative Structure

Police

The Edmonton Police Commission is committed to making Edmonton a safe and vibrant city and includes seven citizens, appointed by City Council, and two City Councillors. The Police Commission oversees the Edmonton Police Service, including allocating funds provided in its annual operating budget to maximize the Police Service's community-based approach to enhancing safety and combating crime.

Library

The Edmonton Public Library operates under the authority of the Libraries Act of Alberta and is governed by a 10-member City Council appointed Board, comprised of nine citizens and one City Councillor. Library services are offered from a main location downtown and 16 additional branches.

Edmonton Economic Development Corporation

Edmonton Economic Development Corporation (EEDC) is a wholly-owned subsidiary of the City of Edmonton and reports to a 15-member Board of Directors, appointed from both the private and public sector by City Council. The Board includes Edmonton's Mayor. EEDC is responsible for regional economic development, tourism marketing, and the operation of the Shaw Conference Centre and Edmonton Research Park.

Other Boards

In addition to the boards named above, hundreds of citizens play valuable roles as members of commissions, agencies, boards and authorities that provide leadership and advice about vital aspects of our city. Areas addressed by those bodies include business development, assessment, transportation, housing and historical preservation. Most citizens volunteer their services, evidence of the vibrant volunteerism for which Edmonton is internationally known.

Legislative and Administrative Organization Chart

ELECTORATE

CITY COUNCIL
Mayor and 12 Councillors

- Community Services Committee
  Four Councillors
- Executive Committee
  Mayor and four Councillors
- Transportation and
  Public Works Committee
  Four Councillors
- Audit Committee
  Mayor, four Councillors and two external members
- Other Committees
  Council has other committees to handle various tasks, e.g. Agenda Review

- Office of the City Auditor
  D. Wiun, City Auditor
- EPCOR Utilities Inc.*
  D. Lowry, President & C.E.O.
- Police Commission
  B. Gibson, Chair
- Edmonton Public Library Board
  J. Welch, Chair
- Other Commissions, Agencies, Authorities, Boards such as Landlord & Tenant Advisory Board, Boxing & Wrestling Commission and Edmonton Economic Development Corporation

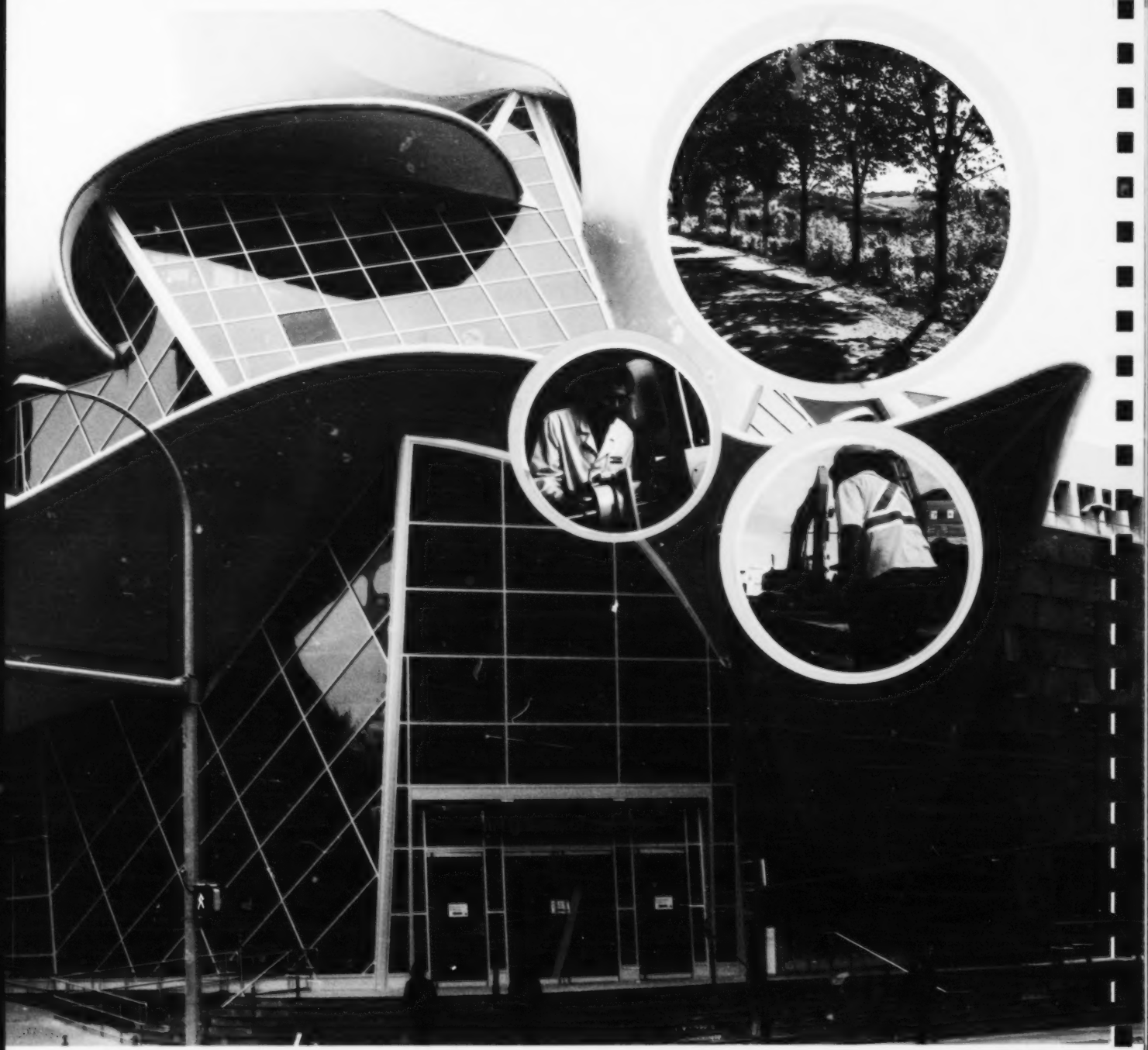
CITY OF EDMONTON ADMINISTRATION

City Manager
S. Farbrother**

- Deputy City Manager
  J. Tustian
- Asset Management & Public Works
  L. Brenneis, Acting General Manager
- Community Services
  L. Cochrane, General Manager
- Corporate Services
  D. Edey, General Manager
- Planning & Development
  G. Klassen, General Manager
- Transportation
  B. Boutilier, General Manager
- Finance & Treasury
  L. Rosen, Acting Chief Financial Officer
- Capital Construction
  M. Koziol, General Manager

*EPCOR Utilities Inc. is a wholly-owned subsidiary of the City of Edmonton.
**Replaced the prior City Manager, Al Maurer, on January 18, 2010.

2009 **Accomplishment Highlights**



The City's 10-year strategic plan, *The Way Ahead*, sets out a 30-year City Vision and six strategic goals, providing a framework to help establish priorities, make informed decisions and manage the opportunities and challenges of our ever changing environment.

The City of Edmonton completed or partnered on many initiatives and activities to advance these goals to the benefit of our community. Here are some notable examples.

Preserving and Sustaining Edmonton's Environment – *The Way We Green*

Inspiring the world. Municipal leaders from around the globe gathered in Edmonton in June 2009 for the ICLEI World Congress on environmental sustainability issues facing local governments. The conference provided Edmonton with the opportunity to showcase its leading environmental practices to a worldwide audience and gather new ideas to help the City, local businesses and citizens improve sustainable practices.

Advancing research. The City is building a $10 million, advanced energy research facility that will focus on converting waste to green chemicals and fuels. Jointly funded by the Government of Alberta, this facility supports the City's waste-to-biofuels project, but will also research converting waste from the oil and gas, agricultural, forestry and other industrial sectors.

Improving Edmonton's Livability – *The Way We Live*

Enhanced Edmonton.ca. Voted best local website by *SEE Magazine* readers for a second year in a row, www.edmonton.ca was enhanced for easier access to City services and information. The new 311 ONLINE feature provides a directory of City services and makes it easier to register for recreational programs or plan transit trips. The City also added a Neighbourhoods section and enhanced the information provided "For Residents."

Art Gallery. The Art Gallery of Alberta opened to the public on January 31, 2010. The remodelled 85,000 square foot gallery – located on Sir Winston Churchill Square in the heart of downtown Edmonton – features three floors of exhibition space that will showcase historical and contemporary Canadian and international art.

2009 **Accomplishment Highlights**

Transforming Edmonton's Urban Form – *The Way We Grow*

Planning for growth. The Municipal Development Plan, *The Way We Grow*, received considerable input during Public Hearings in 2008 and 2009 and was given second reading by Council in February 2010. To accommodate anticipated growth and to aid Edmonton's evolution to a sustainable, healthy and compact city, this plan takes a holistic city building approach to managing growth and development. It will be reviewed by the Capital Region Board prior to returning to City Council for final approval.

Guiding residential infill. Council approved Residential Infill Guidelines for redeveloping and increasing density in Edmonton's mature neighbourhoods. Residential infill contributes to the physical and social renewal of the city's older neighbourhoods, making better use of existing infrastructure, public facilities and services.

Shifting Edmonton's Transportation Modes – *The Way We Move*

Award-winning plan. The City's LRT Network Plan received a 'Highly Commended' honour at the Light Rail Awards in London, England. Edmonton was nominated in the 'Worldwide Project of the Year' category in recognition of its overall, long-term plan, which defines the type of LRT system that best meets Edmonton's long-term objectives.

Google and go. Transit users can now Google their travel itineraries. From a computer or mobile device, travelers' can get information on transit routes, departure times, bus stop locations, transfer information and walking route and time between points. Edmonton is the eighth city in Canada to offer this service.

Ensuring Edmonton's Financial Sustainability – *The Way We Finance*

Transformative investments. Construction on the Quesnell Bridge; 23 Avenue and Gateway Boulevard interchange; the Meadows Fire Station; Muttart Conservatory renovations; and LRT extensions are just some of the City's investment in infrastructure that will help move a growing population and maintain our high standard of living. In 2009, the City partnered with other orders of government to invest three times more in infrastructure than only three years ago, with $1.4 billion in projects. Debt-financing to pay for projects that will benefit Edmontonians for many years is a key way to share the costs over several years.

Generating revenue through expertise. The City is a recognized international leader in "trenchless technology": installing new pipe sewers and rehabilitating existing, deteriorated sewers with minimal disruption to surface traffic and business. In addition to serving the City, the Design and Construction section (Drainage Services Branch), constructs sewers for other municipalities, private developers and provincial authorities.

Diversifying Edmonton's Economy – *The Way We Prosper*

Capital region. With the support of the Government of Alberta, the Capital Region Board developed an integrated regional growth management plan that lays out a strategy to manage growth, minimize the development footprint, strengthen communities, increase transportation choices, and ensure strategically coordinated economic development. The plan, approved by the Province in March 2010, focuses growth and investment in population and employment centres, and establishes designated areas for higher density, serviced country residential developments.

Northeast energy. The proposed Area Structure Plan for the Horsehills Energy and Technology Park was given first reading by City Council in January 2010, after a series of public consultations in 2008 and 2009. As the area develops over the next 40 years, neighbouring communities in the northeast Edmonton can expect to see an energy and technology park of light to medium industry.

Financial Statement Discussion and Analysis

Lorna Rosen, CMA
Acting Chief Financial Officer and City Treasurer

The Annual Report serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2009 financial performance, and to provide information regarding significant financial policies, strategies, and events.

The 2009 Annual Report includes the consolidated financial statements for the City of Edmonton (the City), prepared in accordance with the standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Deloitte & Touche LLP have provided the accompanying Auditors' Report. The financial statements and auditors' report satisfy a legislative reporting requirement as set out in the *Municipal Government Act* (MGA) of Alberta.

The following financial statement discussion and analysis is the responsibility of Management and should be read in conjunction with the audited consolidated financial statements and the accompanying statistical review.

"DBRS expects the City's strong economic and demographic fundamentals and prudent management style to continue providing support to fiscal results, although wage inflation and growth-related service delivery pressures will continue to pose budgetary challenges and pressure tax rates."

DBRS
Credit Rating Report
January 6, 2010

Financial Statement Discussion and Analysis

2009 Financial Highlights

2009 was a challenging year with negative financial indications early in the year for investment earnings and planning revenues. In response, the City undertook a corporate savings and budget review and realigned the operating budget. Additional one-time hiring controls and other expenditure deferrals were instituted to prudently manage the financial uncertainty. The City ended the year with a $33.9 million surplus relative to budget (2.2 per cent of budgeted expenses) for tax-supported operations, resulting primarily from increased revenues from gas franchise fees, more positive short-term bond fund earnings and the significant hiring and other cost controls.

Several significant business and organizational changes influenced the financial reporting for 2009. Effective January 1, a full utility business model was adopted for the Waste Management function which had previously been partially funded by tax levy. The Gold Bar Wastewater Treatment Facility was transferred from the Drainage Services Utility to EPCOR, effective March 31. The responsibility for ambulance services was assumed by the Province of Alberta resulting in the transfer of Emergency Medical Services from the City to Alberta Health Services, effective April 1. In early July, substantially all of the EPCOR power generation assets (net of certain liabilities) were sold to Capital Power.

Accounting and Reporting Changes

Effective for fiscal years beginning on or after January 1, 2009, significant changes were required with respect to the format of municipal financial statements and the treatment of tangible capital assets. The new statement presentation requires municipalities to adopt the full accrual basis of accounting and record and amortize all tangible capital assets. The City has adopted the changes and applied them retroactively with the comparative financial results and financial position for 2008 restated. The intention of the reporting changes is to provide a more complete view of the City's financial condition and support a more comprehensive set of financial indicators.

The financial statements now consist of the following:

- The Consolidated Statement of Financial Position provides a summary of the financial assets, liabilities, net financial assets, non-financial assets and the accumulated surplus. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments.
- A Consolidated Statement of Financial Operations outlines operating revenues and expenses, and capital government transfers and capital contributions from developers, in total describing the net change to accumulated surplus for the year.
- The Consolidated Statement of Changes in Net Financial Assets (or Net Debt) is a new statement within the revised reporting model which explains the difference between the annual surplus (deficit) for the year and the change in the overall net financial assets, as reported on the Consolidated Statement of Financial Position.
- The Consolidated Statement of Cash Flows summarizes the sources and application of cash for the year, including the use of cash to acquire tangible capital assets.

Financial Position

The City ended the year with a net financial asset position (financial assets less liabilities) of $2.1 billion, a slight decrease of $0.2 billion from the prior year, arising from increased long-term debt. The City's investment of $2.5 billion in the EPCOR subsidiary is a primary component of the net financial asset balance. Overall the City has maintained a strong accumulated surplus with a total of $9.9 billion, an increase of 6.0 per cent from the prior year. The yearly change in the accumulated surplus arises from the

annual excess of revenues over expenses for the year in addition to an adjustment relating to the transfer of the Gold Bar Wastewater Treatment Facility to EPCOR in 2009.

Cash Position

Although reduced somewhat from the end of the prior year, the City's cash position is closely managed and remains adequate along with short-term investments to meet ongoing cash requirements. The Consolidated Statement of Cash Flows summarizes the sources and uses of cash in 2009. The cash position, comprised of cash and temporary investments, has decreased to $117.0 million from $233.3 million in 2008. During the year, cash was raised in a combination of $306.5 million from operations, $147.4 million from investing activities, and $560.8 million from net borrowing. $1.1 billion was spent to acquire tangible capital assets. The reduction to cash is consistent with the reduction in deferred revenue relating primarily to government transfer funds received in advance of related expenses.

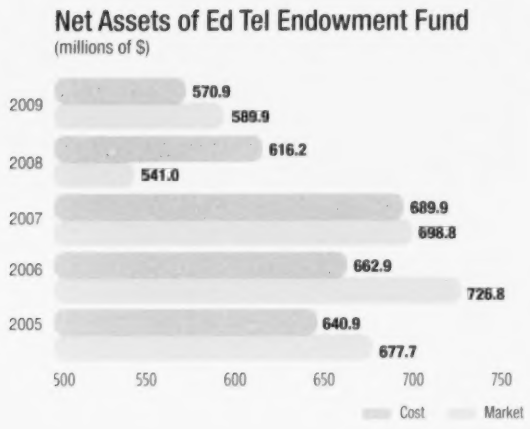
Investments

All investments held by the City must comply with the MGA, the associated provincial *Major City's Investment Regulation* and with the City's internal investment policy. The goal of the City Council approved investment policy, as overseen by the Investment Committee, is to preserve the original principal and to maximize investment returns within an acceptable prudent level of risk. Asset mix is determined based upon the earning objectives, investment time horizon and level of risk tolerance. The Investment Committee is confident that the asset allocation policies remain appropriate and will continue to monitor and evaluate the City's investment program and recommend changes as appropriate. More detailed information on the investment performance and benchmarks is available in the Investment Committee 2009 Annual Report.

The City's investment custodian, State Street Trust Company, is responsible for the safekeeping of a large portfolio of the City's investments. Other investments are managed internally. A formal review of the City's banking and custodial services is typically completed every seven to ten years. State Street Trust Company was selected and the change was made during 2008.

Included in investments of $1,385.2 million are amounts held within a Short Term Bond Fund, the Ed Tel Endowment Fund, the Balanced Fund, and other longer term investments. Overall, the market value of the investment portfolio regained ground from the prior year, ending the year at $1,417.8 million, above the investment cost by 2.4 per cent.

The largest of the City investment funds is the Ed Tel Endowment Fund, established in 1995, with the investment of $470.2 million in proceeds from the sale of the municipal telephone utility. The objective of the Endowment Fund is to provide a source of income in perpetuity while ensuring that the real purchasing power is maintained. Earnings from the Fund are applied to support municipal operations under a formula established by City Bylaw. Since experiencing negative market results in 2008, the fund has moderately recovered, ending the year with an investment book value of $570.9 million compared to a market value of $589.9 million. Dividends of $35.0 million were provided from the fund in 2009 to support municipal operations; however, based on the June 30, 2008 market values no additional special dividend was available. A reduced withdrawal from the fund of $24.7 million is planned for 2010 as an appropriation of earnings (dividend).



Additional investments of $206.8 million are managed for trust assets under administration, including City-sponsored pension plans and a long-term disability benefit plan funded by employees. Consistent with PSAB requirements, trust assets are excluded from the City reporting entity, as disclosed in Note 22 to the consolidated financial statements.

Investment in Subsidiaries

The City's investment in subsidiaries relates to EPCOR Utilities Inc. (EPCOR) and the City of Edmonton Non-Profit Housing Corporation, both wholly owned subsidiaries. The City applies a modified equity method of accounting and reporting for these subsidiaries as government business enterprises. Accounting principles followed by the subsidiaries are not adjusted to conform to those of the City as a local government.

In 2009, the total investment in subsidiaries increased to $2,470.8 million from $2,430.1 million in 2008. The net change of $40.7 million was attributable primarily to EPCOR. On March 31, 2009 the City transferred the Gold Bar Wastewater Treatment Facility assets and operations to EPCOR, with net assets of $210.2 million exchanged for a transfer fee payable of $75.0 million and $111.6 million in debt payable, resulting in a net capital equity contribution from the City of $23.6 million.

In early July 2009 EPCOR sold substantially all of its power generation assets (net of certain liabilities) to Capital Power for a 72.2 per cent interest in that business. As a result of restrictive rights, EPCOR has significant influence but not control of Capital Power. Therefore the equity method is used within EPCOR to account for the investment in Capital Power.

Further financial information for each of the government business enterprises is included in Note 18 to the consolidated financial statements. Additional detail would be available directly from either of the organizations, using contact information provided at the back of this Annual Report.

City Council's utility fiscal policies govern the financial relationship between the City and each of the municipally owned or operated utilities. These policies require each utility to charge sufficient rates to recover all operating costs, repay capital debt, and earn a return on the City's equity investment. The policies also require each utility to pay the City a franchise fee on utility revenue and generally to provide a portion of annual utility profits as a dividend - a percentage of ongoing earnings.

Deferred Revenue

Deferred revenue is largely made up of government transfer funding received in advance for capital expenses, externally restricted until used for the purpose intended. Deferred revenue of $255.1 million has decreased by $111.4 million over 2008, primarily from capital spending of grant monies previously received in advance, related to the Municipal Sustainability Initiative (MSI) and the Provincial Fuel Rebate program. Included in 2009 deferred revenue is $104.9 million received in advance under the Alberta Municipal Infrastructure Program (AMIP), a program implemented to address the infrastructure backlog and longer term infrastructure requirements. A further $35.8 million is from the Federal Fuel Rebate program, internally directed to the South Light Rail Transit (South LRT) project.

Debt

The MGA provides limits for debt and debt service costs within a Regulation under section 271. Within that legislative framework, the City further manages its debt under principles and more conservative limits established within the Debt Management Fiscal Policy (DMFP). The policy is intended to support the City's long-term capital plans and strategies, while maintaining long-term financial affordability, flexibility and sustainability. The policy also provides for approval of multi-year debt guidelines with a corresponding debt repayment funding strategy, and added flexibility for the use of freed up debt servicing funding once debt is retired.

All borrowing completed by the City since 1993 has been in the form of amortizing debentures in Canadian dollars administered through the Alberta Capital Finance Authority (ACFA), utilizing the strong debt rating of the Province of Alberta and combined borrowing volumes across Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, eliminating the risk associated with fluctuating interest rates. Payments are made annually or semi-annually.

In 2009, $609.9 million was added through new debenture borrowings, of which $345.3 million was for tax-supported debt, including $165.9 million related to the South LRT expansion. The City continued to benefit from relatively low interest rates for new borrowing during the year with ranges as follows:

Term	Interest rates (per cent)
10 year	3.34 to 3.94
15 year	3.97 to 4.48
20 year	4.40 to 4.92
25 year	4.59 to 5.07

Net long-term debt of $1,492.6 million at December 31, 2009 was increased by $449.1 million (43.0 per cent) over the 2008 balance. The gross amount of debentures and mortgages payable of $2,077.5 million is offset by $250.1 million in related amounts receivable from EPCOR, and by sinking fund assets for debt retirement of $334.8 million (market value of $344.1 million). The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR prior to 1999, as well as debt relating to the Gold Bar Wastewater Treatment Facility transferred to EPCOR in 2009.

As per the MGA, the debt limit is defined as two times revenue, where revenue is net of revenues from subsidiary operations, capital government transfers, and contributed tangible capital assets. Debt servicing costs are not to exceed 35 per cent of the same revenues. The City carries levels of debt below the legislated limits, however the debt limit is climbing steadily and percentages used have increased from the prior year.

(millions of $)	2009	2008 (Restated)
MGA debt limit	3,233.9	3,003.6
Total debt limit used	1,492.6	1,043.4
Percentage used (%)	46.2	34.7
MGA debt service limit	565.9	525.6
Total debt service limit used	134.5	103.1
Percentage used (%)	23.8	19.6

The City internal DMFP sets more conservative debt servicing limits than those established within the MGA. As per the DMFP, the tax-supported debt service limit is 15 per cent of tax-supported revenues, with tax-supported operations for purposes of this calculation as reported within Schedule 1 - Consolidated Segment Disclosure. The total debt service limit is set within the DMFP at 22 per cent of corporate revenues for the City, with revenues being defined consistently with the MGA debt limit calculation. The following table compares the debt servicing cost (interest and principal) to the limits as established in the City DMFP.

(millions of $)	2009	2008
DMFP limit – tax supported	208.6	204.9
Tax-supported debt service	74.4	49.0
Percentage used (%)	35.7	23.9
DMFP limit – all debt (net)	355.7	330.4
Debt service cost	134.5	103.1
Percentage used (%)	37.8	31.2

The City continues to follow a pay-as-you-go financing approach for a significant portion of the capital expenses in tax-supported programs.

Non-Financial Assets

Non-financial assets include inventories, prepaid assets and tangible capital assets, generally to be used to provide future services. With the reporting model change as of January 1, 2009, all tangible capital assets are recorded and amortized over their expected service lives. Tangible capital assets are assets managed and held for use in production or supply of goods and services, for rentals to others, for administrative purposes or for development, construction, maintenance or repair of other tangible capital assets; have economic lives that extend beyond a year; and are not for sale in the ordinary course of operations. Net tangible capital assets of $7,739.7 million have increased by 11.8 per cent compared to the 2008 restated balance of $6,923.9 million.

The net increase of $815.8 million is a result of the acquisition and contributions of tangible capital assets of $1,373.3 million, offset by annual amortization, disposals and the net asset transfer of the Gold Bar Wastewater Treatment Facility to EPCOR. Additions to tangible capital assets were primarily in asset categories of roadways, drainage structures, vehicles and buildings.

Additions of $1,373.3 million were at a similar level to 2008 but have ramped up significantly over the prior five years. Comparing to a 2009 budget of $1,687.9 million, a number of capital projects did not proceed to the extent planned due to factors such as outstanding external commitments, project delays from unavailability of internal and external resources, land acquisition timing, weather conditions and project changes. Those projects will continue into 2010. On the other hand, work on a few projects was able to be advanced ahead of schedule, including the South LRT set to open in April, 2010 and the Terwillegar Community Recreation Centre.

Accumulated Surplus

The accumulated surplus reflects the net economic resources that have been built up over time for the City of Edmonton. The accumulated surplus consists of restricted and unrestricted amounts, including operating surplus, reserves and equity invested in tangible capital assets as shown within Note 13 to the financial statements. The City has maintained a strong accumulated surplus with a total of $9.9 billion, an increase of 6.0 per cent from the prior year. The yearly change in the accumulated surplus is made up of the annual excess of revenues over expenses for the year as well as an adjustment of $47.9 million relating to the transfer of contributed assets with the Gold Bar Wastewater Treatment Facility to EPCOR.

As at December 31, 2009 unrestricted amounts consist of $36.3 million for general government operations and $4.0 million from excess sinking fund earnings. Among the restricted surplus of $3,532.7 million is $2,469.9 million relating to EPCOR, $570.9 million from the Ed Tel Endowment Fund, a combined accumulated surplus from the enterprise and utility operations of Drainage Services Utility, Land Enterprise, Fleet Services and Waste Management of $239.7 million, as well as $198.8 million in reserves for future expenditures.

Reserves

The City maintains a City Council approved policy which directs the establishment and processes with respect to reserves. Initial establishment of reserves, as well as transfers to and from reserves requires the approval of City Council. During 2009, a review of reserve balances and related policies was completed to ensure they continue to support the financial goals and serve the highest priority needs of the City and its citizens. The policy and balances are monitored on an ongoing basis with the next formal review planned for 2012.

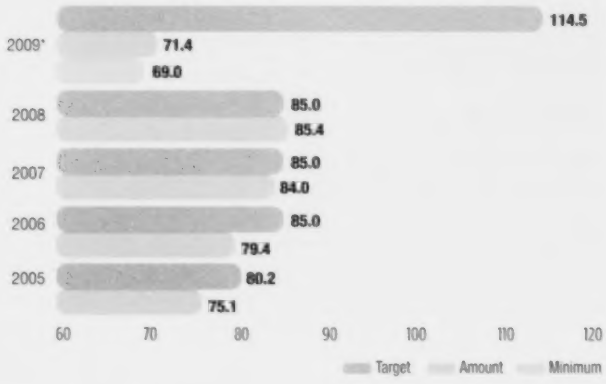
A schedule of reserves comprising the $198.8 million 2009 consolidated balance has been provided in Note 12 to the consolidated financial statements. The balance decreased overall by $38.1 million or 16.1 per cent from the prior year. $20.3 million from the Financial Stabilization Reserve (FSR) was utilized to offset the 2008 deficit for tax-supported operations, and further amounts were transferred from the reserves to fund other Council approved commitments. The change to a utility business model for Waste Management resulted in a reclassification of the waste management rate stabilization reserve of $19.0 million to a restricted surplus balance within the accumulated surplus. $25.0 million in excess Sinking Fund earnings was transferred to the FSR from the Sinking Fund internally restricted accumulated surplus, based upon the 2009 reserves review. The reserve balance also includes reserves of the Edmonton Public Library Board and Edmonton Economic Development Corporation, as approved by the respective Boards.

Of the overall reserve balance, an amount of $71.4 million is held within the unappropriated FSR, established in 1997. The intent of the FSR is to provide flexibility in addressing financial risks associated with revenue instability and unforeseen costs, and to ensure the orderly provision of services to citizens. As an outcome of the 2009 review of reserves, policy changes included establishing a minimum balance of 5.0 per cent and a target balance of 8.3 per cent of general government (tax-supported) operating expenses for the FSR. Any operating surplus from tax-levy operations is transferred to the FSR at the beginning of the subsequent year, with any excess of the reserve target level then applied evenly in the three subsequent years' operating budgets or to significant one-time operating or capital priorities. A transfer

of $33.9 million of 2009 tax-levy surplus will be made to the reserve in 2010, with $16.6 million then appropriated as approved by City Council.

An operating budget strategy to utilize $4.0 million from the FSR has been built into the 2010 operating budget on a one-time basis. As well, an amount of $5.0 million was approved from the FSR in early 2010 to fund the disabled adult transit system vehicle replacement, to be partially offset by an equity transfer from Fleet Services. After reflecting the approved transactions, the FSR balance will exceed the minimum level as set within the policy but will not meet the target level.

Financial Stabilization Reserve
(millions of $)



* Effective beginning 2009, target balance is 8.3 per cent of tax-supported operating expenses (net of amortization), with a minimum balance of 5.0 per cent of tax-supported operating expenses (net of amortization).

Equity in Tangible Capital Assets

As summarized in Note 11 to the consolidated financial statements, equity in tangible capital assets represents the investment made in tangible capital assets, after deducting the portion financed by outstanding long-term debt. The ending 2008 balance, restated to implement the tangible capital asset changes, including the recognition of contributed assets, was $5,882.8 million. An increase of $429.5 million for 2009, as a result of the net acquisition of tangible capital assets partially offset by net additional debt, brings the ending balance for the year to $6,312.3 million.

Financial Operations

The Consolidated Statement of Financial Operations outlines revenues collected by the City and their application to provide municipal services.

Total 2009 consolidated revenues of $1.7 billion were slightly higher than those collected in 2008, with the most significant increases being in taxation revenue. Revenues were $179.3 million lower than budget, primarily related to lower earnings from EPCOR subsidiary operations, reduced investment earnings related to the Ed Tel Endowment Fund, and a lower volume of user fees and sales of goods and services than anticipated.

EPCOR net earnings of $119.6 million in 2009 were less than the 2009 budget expectation of $236.0 million and significantly lower than the prior year earnings. This was primarily due to the impact in the year of the sale of the power generation business, partly offset by the income from the Gold Bar Wastewater Treatment Facility. Dividends of $133.7 million and franchise fees of $52.3 million were transferred to support municipal operations.

Investment earnings for the year were well off budget and continued volatility in market values led to some realized capital losses throughout the year. However, there was an improvement from the prior year, primarily in the area of realized short-term bond fund earnings. The Ed Tel Endowment Fund experienced investment losses of $10.3 million in 2009. Based upon policy, $35.0 million was provided from the fund to support municipal operations; however market values as of June 30, 2008 did not provide for an additional special dividend in 2009.

Expenses of $1,870.9 million include amortization of $294.2 million relating to the full tangible capital base. The 2009 budget was approved prior to the change to tangible capital asset reporting and included only $57.0 million for the amortization. Allowing for the budget amortization difference, expenses were generally managed within the approved budget, with savings from one-time hiring controls and program expenditure deferrals, lower land development expenses due to market conditions, and fuel rate savings within bus and light rail transit.

(millions of $)	
Operating Revenues*	
2009 actual	1,583.4
2008 actual	1,475.6
Variance	107.8
% variance	7.3
Operating Expenses	
2009 actual	1,870.9
2008 actual	1,821.6
Variance	49.3
% variance	2.7

*Excluding income from subsidiary operations

Government transfers and developer and customer contributions for capital of $741.1 million were higher than the 2008 revenues, as restated to include all contributed assets, by 14.6 per cent. Capital government transfers are included in revenue as the expenditures associated with the transfer are incurred. The $103.6 million variance between the budget and actual capital revenue for 2009 is generally due to timing differences around transportation project expenditures, and therefore the timing in recognition of the related government transfer revenue.

(millions of $)	
Capital Revenues	
2009 actual	741.1
2008 actual	646.8
Variance	94.3
% variance	14.6
Capital Revenues	
2009 actual	741.1
2009 budget	844.7
Variance	(103.6)
% variance	(12.3)

Consolidated revenues exceeded expenses for the year by $604.4 million after accounting for government transfers for capital, developer and customer contributions for capital and the net comprehensive income adjustment for EPCOR subsidiary operations.

Operations – Source of Revenue
(millions of $)

	$	%
A. Taxation	837.8	49.2
B. User fees and sale of goods and services	453.0	26.6
C. Subsidiary operations	119.6	7.0
D. Government transfers – operating	108.6	6.4
E. Franchise fees	95.3	5.6
F. Fines and penalties	45.4	2.7
G. Licenses and permits / Investment earnings / Other	43.3	2.5
	1,703.0	100.0

Distribution of Expenses
(millions of $)

	$	%
A. Transportation services	569.3	30.4
B. Protective services	430.2	23.0
C. Community services	306.8	16.4
D. Corporate administration and general municipal	277.2	14.8
E. Utility and enterprise services	257.9	13.8
F. Tax appeals and allowances	22.1	1.2
G. Pension adjustments and other	7.4	0.4
	1,870.9	100.0

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(millions of $)

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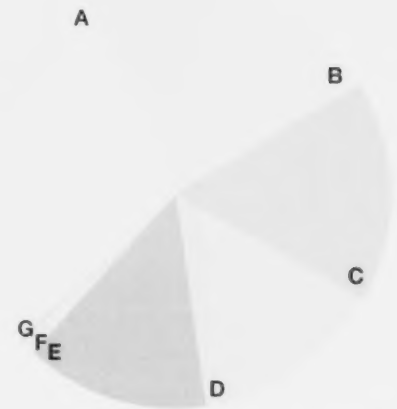

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	1,870.9	100.0

Schedule 1 to the financial statements, Consolidated Segment Disclosures, provides an analysis of revenues and expenses (by object) for each of the significant business groupings within the reporting entity. Note 23 to the financial statements provides a description of each of the segments.

Financial Control and Accountability

The City maintains the following processes to ensure appropriate financial controls and accountability are maintained and to take a proactive approach to identify and address financial challenges.

Planning and Budgeting Process

Based on input provided from thousands of citizens, City Council approved *The Way Ahead: City of Edmonton Strategic Plan 2009-2018* in July 2008. The strategic plan was developed to help the City establish priorities and make informed decisions to improve the quality of life for citizens now and in the future. The plan moves the City toward a 30-year vision by establishing 10-year strategic goals. Ongoing public involvement assists City Council with refining short-term priorities to meet changing economic situations and emerging needs.

During 2009, corporate outcomes were developed to help bridge operational activities, programs, and services of the City with the 10-year strategic goals outlined by City Council in *The Way Ahead*. Corporate outcomes set out the results the corporation is striving for and collectively serve as a roadmap demonstrating how the operations of the City align to the City's strategic plan. Corporate outcomes are used by departments to establish a line of sight between their outcomes, outputs and measures with the strategic goals.

Edmonton's operating budget lays out the revenues and expenses planned for the following year to deliver city services, using a program-based approach focused on service delivery and advancement towards the City's long-term goals. From year-to-year, new services may be created when City Council identifies a clear need for citizens. Some services are enhanced to help move towards City goals while others are deferred due to costs or other factors.

Edmonton's capital priorities plan and budget identifies proposed capital project expenditures and their sources of financing. Proposed capital projects are assigned priorities based on a detailed set of criteria approved by City Council. Those projects that fall within the City's financial resources are recommended. Projects with a lower priority are deferred, and may be considered in future budgets.

A review of the capital process was completed in 2006. One of the recommendations from the review was to change from a one-year to a three-year capital budget cycle. 2009 was the first year of the three-year 2009 – 2011 Capital Budget, which launched the implementation of a 10-year Capital Investment Agenda. Key infrastructure principles used in developing the three-year capital budget were:

- use cash for ongoing projects (maintenance and renewal);
- use borrowing for new and large projects eligible according to the criteria set out in the approved DMFP;
- align projects to the new 30-year City vision and 10-year strategic goals;
- use rehabilitation funding to ensure existing assets meet acceptable standards;
- manage demand to reduce infrastructure requirements; and
- only build new infrastructure if life-cycle costs are affordable.

This approach is vital, given the funding restraints faced by the City to address the backlog of renewal projects and to meet the demand caused by population and economic growth.

Capital budget changes were done in 2009 by way of two supplementary capital budget adjustments, to address emerging requirements and to better align the anticipated timing of capital expenses over the three-year budget cycle.

Accounting Process

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. The City utilizes a shared services model for finance and treasury services. All business areas reporting to the City Manager share a common accounting and reporting system, and financial and accounting services are administered within Finance & Treasury and delivered to each business area based on their needs.

The Edmonton Public Library Board, Edmonton Police Services, Non-Profit Housing, and Vehicle for Hire Commission utilize the common accounting system but report through their Board or Commission. EPCOR and Edmonton Economic Development Corporation each have independent accounting systems and report through their respective Boards.

Auditing Process

The MGA requires municipal councils to appoint an independent auditor. In 2004, City Council appointed the firm of Deloitte & Touche LLP, Chartered Accountants, as external auditor for a five-year term. A one-year extension was approved during 2008 to cover the December 31, 2009 year-end audit as a result of the significant reporting model change, including the reporting of all tangible capital assets. A tender for external audit services for five years beginning in 2010 will be issued, evaluated and awarded during 2010.

The auditor must report to City Council on the annual consolidated financial statements. In order to complete the consolidated audit of the City of Edmonton, the auditor must place reliance on the work of other auditors for each of Edmonton Economic Development Corporation, EPCOR, and Non-Profit Housing Corporation.

An Audit Committee has been established as a Committee of Council to assist in fulfilling its oversight responsibilities. The Committee includes the Mayor, four Councillors and, beginning in 2009, two public members as outlined under Bylaw 15310, *Audit Committee Bylaw*. Audit Committee reviews the consolidated financial statements and makes a recommendation to City Council for the approval of the statements. Based upon the recommendation of Audit Committee, City Council approved the 2009 Consolidated Financial Statements at their meeting of June 4, 2010.
The City has an internal audit function independent of the

City Administration. The Office of the City Auditor reports directly to City Council through Audit Committee, empowered by Bylaw 12424, *City Auditor*. This bylaw establishes the position of City Auditor and delegates powers, duties, and functions to this position. The City Auditor has two roles:

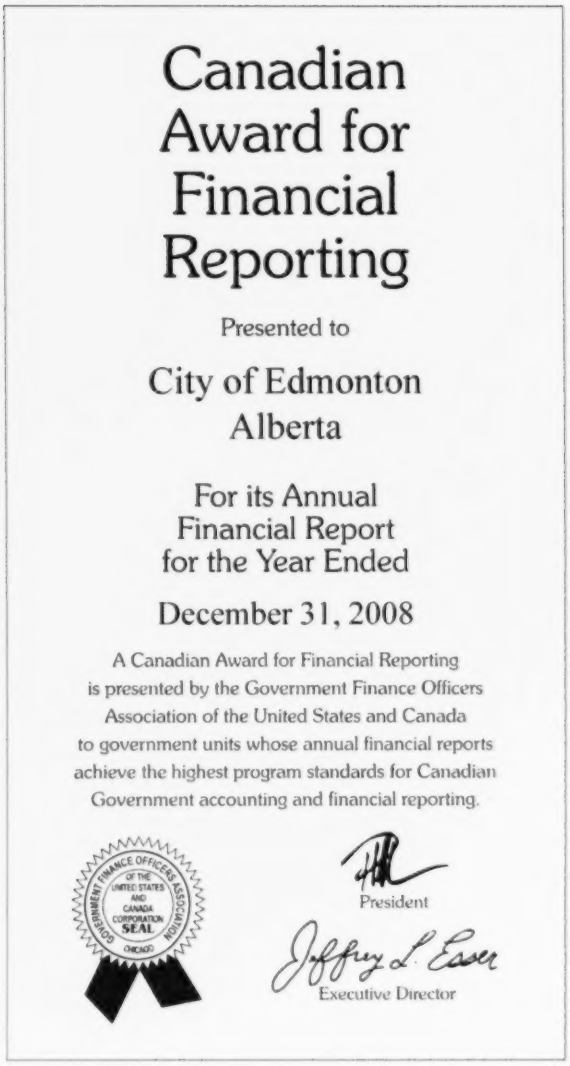
- Agent of Change Role – to conduct proactive and forward looking projects based on the provision of strategic, risk and control related consulting services to better serve the changing needs of the corporation and bring about improvement in program performance; and

- Guardian Role – to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

Recognition for Achievements

A number of awards in the financial area continue to recognize the City of Edmonton for a high standard of achievement.

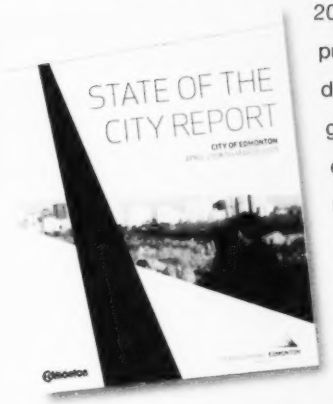
The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a **Canadian Award for Financial Reporting** to the City of Edmonton for its annual financial report for the fiscal year ended December 31, 2008. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.


Canadian Award for Financial Reporting
Presented to
City of Edmonton
Alberta
For its Annual Financial Report for the Year Ended
December 31, 2008
A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units whose annual financial reports achieve the highest program standards for Canadian Government accounting and financial reporting.
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO
President
Jeffrey L. Esser
Executive Director

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. This is the sixteenth consecutive year that the City of Edmonton has received this award. We believe this 2009 Annual Report continues to conform to the Canadian Award for Financial Reporting program requirements and we will be submitting it to the GFOA for consideration and feedback.

The City of Edmonton also received the **Award for Outstanding Achievement in Popular Annual Financial Reporting** from the Government Finance Officer's Association of the United States and Canada for the 2008/2009 *State of the City* publication. The program was developed to encourage governments to augment existing annual financial reporting to meet the needs of interested parties who may not use traditional financial reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government must publish a report whose contents conform to program standards of creativity, presentation, understandability and reader appeal. This was the first time that the City of Edmonton applied for this award.



For the tenth consecutive year, an **Achievement of Excellence in Procurement Award** was presented to the City of Edmonton from the National Purchasing Institute. This prestigious international award recognizes excellence in public procurement, measuring the innovation, professionalism, productivity and leadership attributes of public sector organizations. The City of Edmonton was the only Canadian government organization to receive this award for 2009.

2010 Budget

With the significant economic challenges in 2009 and the continuing effects of the recession in 2010, administration undertook a Service and Budget Review of all programs and services to explore opportunities to find efficiencies, areas to reduce services without adversely affecting quality of life, and to identify programs that could be deferred. A target tax rate for civic programs and boards and authorities, also highlighting neighbourhood renewal, was reviewed and approved by City Council to assist with the preparation of the 2010 operating budget.

Within the planning and budget process City Council and administration committed to public consultation during the

development and review of the annual budget. The City conducted a pilot project with the University of Alberta to gain informed citizen opinion. The Edmonton Citizen Panel brought together 49 randomly recruited Edmontonians of diverse backgrounds, ages, incomes and experiences in the spring of 2009 to learn about and discuss Edmonton's budget priorities. The 2009 Citizen Panel's Recommendations were outlined in a report to City Council for consideration when making decisions about the 2010 budget priorities. As well, a series of Mayor's Town Hall Meetings were held in November and December throughout the city to get public input.

City Council approved the 2010 Operating Budget in December 2009. Property taxes are used as one of the funding sources to provide the services and infrastructure approved in the budget. The approved tax rate increase of 5 per cent includes 2 per cent specifically earmarked for a neighbourhood renewal program. The Bylaw to set the 2010 municipal tax for all property types (including commercial and industrial) was confirmed by City Council in April 2010 once the provincial education requisition was received by the City. The 2010 operating budget balances many competing interests. Programs and internal services addressed include expansion, design and construction of LRT, transit service, customer contact centre (311), fire services and affordable housing. It also includes selected increases in user fees for various municipal services, including transit fares, monthly parking rates, various parks and recreation fees, and permit fees.

The 2010 capital budget constitutes the second year of City Council's three-year capital budget approval. The 2009 - 2011 Capital Budget identified total capital spending of $4.2 billion over the three years and $1.0 billion extending to 2012 and beyond for approved projects, for a total of $5.2 billion. Work is currently underway to review the planned capital spending in light of the announcement from the Province of Alberta to defer $100 million of the Municipal Sustainability Initiative grant funding for each of 2010 and 2011.

Long-Term Sustainability

Planning has begun on a new long-term financial plan, *The Way We Finance* that will outline guiding principles to ensure continued sound fiscal management and financial sustainability. A number of strategies are being developed to address the ongoing operating and capital funding gaps to ensure the long-term sustainability of the City, including a 2010 service and savings review. To better manage volatility and maximize flexibility, revenue from investment and dividend earnings was moved to fund capital projects rather than the operating budget in 2010. It is less disruptive to deal with the volatility of investment and dividend earnings by accelerating or deferring one-time infrastructure projects than it is to reduce ongoing programs and services in the operating budget.

With the support of the Government of Alberta, the City worked with the other 24 municipal members of the Capital Region Board to develop an integrated regional growth management plan. The plan, approved by the Province in March 2010, lays out a strategy to manage growth, minimize the development footprint, strengthen communities, increase transportation choices, and ensure strategically coordinated economic development. Growth and investment is focused in population and employment centres, and designated areas are established for higher density, serviced country residential developments.

The City joined Alberta's Industrial Heartland Association in 2010 to advance the sustainable development of the value-added petrochemical industry in the Capital region – the largest hydrocarbon processing centre in Canada. By working with the Association, the City aims to create local jobs and increase the commercial tax base from chemical, plastics and eco-industries, while ensuring preservation of agriculturally and environmentally valuable land in the northeast.

Conclusion

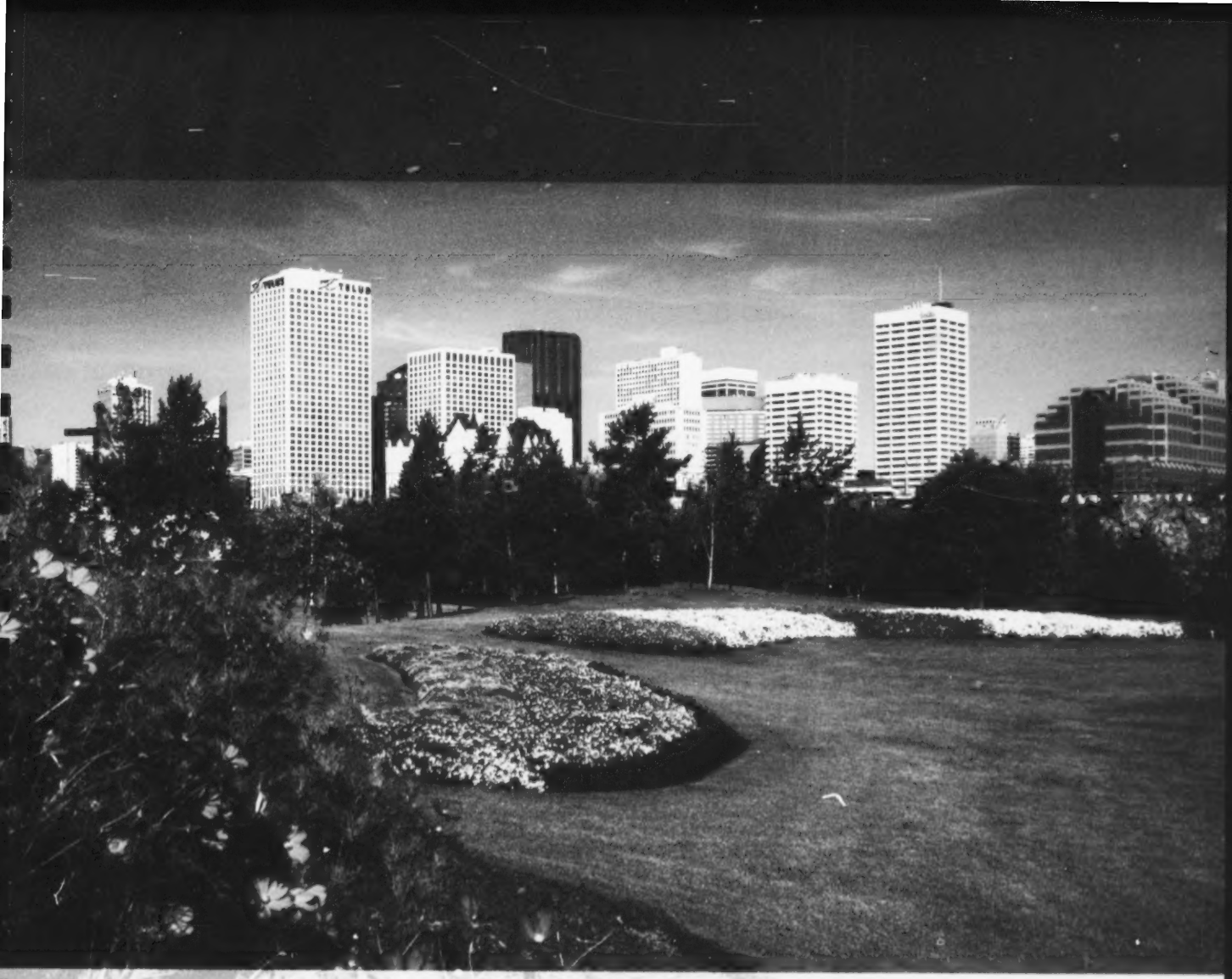
The City of Edmonton continues to benefit from one of the strongest economic growth outlooks in the country. In early 2010, Standard & Poors affirmed their rating of the City of Edmonton as AA+/Stable based on a strong and diverse economy, although declining - excellent cash and liquid asset levels, the considerable level of grants from both the Provincial and Federal governments, and Edmonton's traditionally strong operating performance and sound management practices.

The stable outlook reflects the expectation that the rising debt level will remain manageable. DBRS also confirmed the long-term credit rating as AA (high) for the City of Edmonton, supported by the strong liquidity position and a long history of good fiscal management.

There is increasing confidence that tough economic times are behind us, however there is growing awareness of the shape of new challenges. The City will continue to be challenged to maintain existing services as well as to address the service and infrastructure needs associated with the growth internally and as the major centre for the region. Efforts are ongoing to manage the concerns regarding the operating and capital funding gaps, and manage the amount of proposed tax-supported debt borrowing. The City's long-term financial plan, *The Way We Finance*, will support guiding principles to ensure continued sound fiscal management and financial sustainability.

Lorna Rosen, CMA
Acting Chief Financial Officer and City Treasurer

May 14, 2010



2009 Annual Report
The City of Edmonton, Alberta, Canada

Financial Information

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the consolidated financial statements.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls including written policies, directives and procedures. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, and that assets are properly accounted for and safeguarded.

The consolidated financial statements have been audited by the independent firm of Deloitte & Touche LLP, Chartered Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.

Simon Farbrother, MCIP, RPP, MA
City Manager

Lorna Rosen, CMA
Acting Chief Financial Officer and City Treasurer

May 14, 2010

AUDITORS' REPORT

To His Worship the Mayor and Members of Council
The City of Edmonton

We have audited the consolidated statement of financial position of the City of Edmonton as at December 31, 2009, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Edmonton as at December 31, 2009 and the results of its operations, the change in its net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Edmonton, Alberta

May 14, 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2009 (In thousands of dollars)

	2009	2008 (Restated)
Financial Assets		
Cash and temporary investments (Note 2)	$ 117,030	$ 233,329
Receivables:		
Taxes receivable	37,481	31,826
Trade and other receivables	210,883	98,408
Investments (Note 3)	1,385,244	1,398,940
Debt recoverable (Note 4)	65,139	2,393
Land for resale	74,764	64,404
Investment in subsidiaries (Note 18)	2,470,781	2,430,087
	4,361,322	4,259,387
Liabilities		
Accounts payable and accrued liabilities	380,054	357,111
Deposits	24,578	20,371
Deferred revenue (Note 5)	255,128	366,497
Employee benefit obligations (Note 6)	115,034	110,429
Landfill closure and post-closure care (Note 7)	21,015	19,526
Long-term debt (Note 8)	1,492,566	1,043,438
	2,288,375	1,917,372
Net Financial Assets	2,072,947	2,342,015
Non-financial Assets		
Tangible capital assets (Note 9)	7,739,719	6,923,872
Inventories of materials and supplies	29,768	26,302
Other assets (Note 10)	42,903	36,687
	7,812,390	6,986,861
Accumulated Surplus (Note 13)	$ 9,885,337	$ 9,328,876

See accompanying notes to consolidated financial statements.

Approved by:

Stephen Mandel
Mayor

Kim Krushell
City Councillor

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2009 (in thousands of dollars)

	Budget (Unaudited)	2009	2008 (Restated)
Revenues			
Net taxes available for municipal purposes (Note 14)	$ 837,838	**$ 837,766**	$ 780,399
User fees and sale of goods and services	489,827	**452,983**	461,843
Subsidiary operations (Note 18)	236,000	**119,592**	176,290
Government transfers – operating (Note 15)	104,250	**108,581**	83,096
Investment earnings (losses)	51,297	**9,784**	(11,509)
Franchise fees	89,408	**95,283**	76,116
Developer and customer contributions – operating		**5**	409
Fines and penalties	41,815	**45,403**	44,122
Licenses and permits	31,876	**33,599**	41,132
	1,882,311	**1,702,996**	1,651,898
Expenses (Note 17)			
Protective services:			
Police	249,466	**258,340**	245,938
Bylaw enforcement	16,268	**20,112**	13,303
Emergency response	149,656	**151,765**	173,949
	415,390	**430,217**	433,190
Transportation services:			
Bus and light rail transit	265,013	**285,183**	251,647
Roadway and parking	157,783	**284,154**	296,297
	422,796	**569,337**	547,944
Community services:			
Parks and recreation	117,459	**126,974**	124,058
Community and family	44,387	**41,512**	43,995
Edmonton Public Library Board	39,905	**41,778**	41,923
Planning	30,718	**27,673**	25,450
Convention and tourism	30,592	**35,015**	34,893
Public housing	49,951	**33,829**	27,769
	313,012	**306,781**	298,088
Utility and enterprise services:			
Drainage Services	96,590	**86,481**	106,799
Waste Management	113,424	**109,705**	
Fleet Services	46,549	**54,446**	57,070
Land	27,262	**7,235**	22,728
	283,825	**257,867**	186,597
Waste management			86,470
Corporate administration	149,433	**168,929**	156,436
General municipal	98,929	**108,235**	98,269
Tax appeals and allowances	20,588	**22,120**	10,027
Pension adjustments and other	706	**7,410**	4,572
	1,704,679	**1,870,896**	1,821,593
Excess (shortfall) of Revenues over Expenses before other	177,632	**(167,900)**	(169,695)
Other			
Subsidiary operations – net comprehensive income adjustment (Note 18)		**31,220**	16,267
Government transfers for capital (Note 15)	575,405	**466,443**	428,794
Developer and customer contributions for capital	45,070	**33,549**	26,206
Developer contributed tangible capital assets (Note 9)	224,211	**241,074**	191,832
Excess of Revenues over Expenses	1,022,318	**604,386**	493,404
Accumulated Surplus, beginning of year	9,328,876	**9,328,876**	8,835,472
Contributed capital transfer to EPCOR for Gold Bar (Note 24)		**(47,925)**	
Accumulated Surplus, end of year	$ 10,351,194	**$ 9,885,337**	$ 9,328,876

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2009 (in thousands of dollars)

	Budget (Unaudited)	2009	2008 (Restated)
Excess of Revenues over Expenses	$ 1,022,318	**$ 604,386**	$ 493,404
Acquisition of tangible capital assets	(1,463,709)	**(1,132,240)**	(1,164,919)
Contributed tangible capital assets	(224,211)	**(241,074)**	(191,832)
Proceeds on disposal of assets		**1,243**	1,383
Amortization of tangible capital assets	57,011	**294,240**	277,317
Net tangible capital asset transfer to EPCOR for Gold Bar (Note 24)		**258,153**	
Loss on disposal/replacement of tangible capital assets		**3,831**	43,303
	(1,630,909)	**(815,847)**	(1,034,748)
Net acquisition of inventories of materials and supplies		**(3,466)**	(3,197)
Net (acquisition) use of other assets		**(6,216)**	880
Contributed capital transfer to EPCOR for Gold Bar (Note 24)		**(47,925)**	
		(57,607)	(2,317)
Decrease in Net Financial Assets	(608,591)	**(269,068)**	(543,661)
Net Financial Assets, beginning of year	2,342,015	**2,342,015**	2,885,676
Net Financial Assets, end of year	$ 1,733,424	**$ 2,072,947**	$ 2,342,015

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2009 (in thousands of dollars)

	2009	2008 (Restated)
Cash provided by (applied to):		
Operating Activities		
Excess of revenues over expenses	$ 604,386	$ 493,404
Add (deduct) items not affecting cash:		
Subsidiary operations (Note 18)	(119,592)	(176,290)
Subsidiary operations – net comprehensive income (Note 18)	(31,220)	(16,267)
Amortization	294,240	277,317
Loss on disposal/replacement of tangible capital assets	3,831	43,303
Developer contributed tangible capital assets	(241,074)	(191,832)
Change in non-cash items:		
Taxes receivable	(5,655)	(3,912)
Trade and other receivables	(37,475)	(139)
Debt charges recoverable	(62,746)	119
Land for resale	(10,360)	(4,966)
Accounts payable and accrued liabilities	22,943	(6,675)
Deposits	4,207	734
Deferred revenue	(111,369)	17,404
Employee benefit obligations	4,605	6,834
Landfill closure and post-closure care	1,489	1,348
Inventories of materials and supplies	(3,466)	(3,197)
Other assets	(6,216)	880
Cash provided by operations	306,528	438,065
Capital Activities		
Acquisition of tangible capital assets	(1,132,240)	(1,164,919)
Proceeds on disposal of tangible capital assets	1,243	1,383
Cash applied to capital	(1,130,997)	(1,163,536)
Investing Activities		
Net decrease in investments	13,696	110,449
Dividend from subsidiary (Note 18)	133,700	130,435
Cash provided by investing	147,396	240,884
Financing Activities		
Debenture borrowings	609,866	321,674
Repayment of long-term debt	(49,092)	(39,621)
Cash provided by financing	560,774	282,053
Decrease in cash position	(116,299)	(202,534)
Cash, beginning of year	233,329	435,863
Cash, end of year	$ 117,030	$ 233,329

Cash is represented by cash and temporary investments (Note 2).
See accompanying notes to consolidated financial statements.

SCHEDULE 1 – CONSOLIDATED SEGMENT DISCLOSURES (Note 23)

For the year ended December 31, 2009 (in thousands of dollars)

	Protective Services	Transportation Services	Tax-supported Community Services	Other	Total	Drainage Services	Waste Management	Fleet Services	Land Enterprise	Subsidiary Entities	Other	2009 Consolidated
Revenues												
Net taxes available for municipal purposes	$	$	$	$ 837,766	$ 837,766	$	$	$	$	$	$	**$ 837,766**
User fees and sales of goods and services	19,658	118,280	63,107	19,116	220,161	106,548	105,499	10,590	10,185			**452,983**
Subsidiary operations										119,592		**119,592**
Government transfers – operating	18,637	73	41,771	41,193	101,674	4	6,636	267				**108,581**
Investment earnings (losses)			314	16,211	16,525	603	654		99		(8,097)	**9,784**
Franchise fees				101,109	101,109	(5,826)						**95,283**
Developer and customer contributions – operating			5		5							**5**
Fines and penalties	28,843		1,034	15,526	45,403							**45,403**
Licenses and permits	163	303	32,397		32,863						736	**33,599**
Appropriation of earnings				34,991	34,991						(34,991)	
	67,301	118,656	138,628	1,065,912	1,390,497	101,329	112,789	10,857	10,284	119,592	(42,352)	**1,702,996**
Expenses												
Salaries, wages and benefits	344,166	218,432	147,020	158,035	867,653	52,366	21,447	49,779			4,897	**996,142**
Materials, goods and utilities	21,851	54,888	40,489	22,707	139,935	12,898	7,406	53,430	3,642		15	**217,326**
Contracted and general services	51,675	108,485	33,720	48,069	241,949	(19,611)	52,477	(77,809)	2,260		2,498	**201,764**
Interest and bank charges	1,821	30,445	5,801	3,490	41,557	11,293	9,735	1,024	1,329			**64,938**
Grants and other	466		52,535	31,219	84,220	710	6,600	1,121	4			**92,655**
Amortization	10,032	152,992	27,218	35,764	226,006	28,825	12,040	27,369				**294,240**
Loss (gain) on disposal/replacement of tangible capital assets	206	4,095	(2)		4,299			(468)				**3,831**
	430,217	569,337	306,781	299,284	1,605,619	86,481	109,705	54,446	7,235		7,410	**1,870,896**
Excess (shortfall) of Revenues over Expenses before other	(362,916)	(450,681)	(168,153)	766,628	(215,122)	14,848	3,084	(43,589)	3,049	119,592	(49,762)	**(167,900)**
Other												
Subsidiary operations – net comprehensive income adjustment										31,220		**31,220**
Government transfers – capital	4,411	312,056	35,415	87,662	439,544	24,490	2,060	349				**466,443**
Developer and customer contributions – capital	258	126,274	30,834	3,204	160,570	113,719	334					**274,623**
Excess (shortfall) of Revenues over Expenses	$ (358,247)	$ (12,351)	$ (101,904)	$ 857,494	$ 384,992	$ 153,057	$ 5,478	$ (43,240)	$ 3,049	$ 150,812	$ (49,762)	**$ 604,386**

See accompanying notes to consolidated financial statements.

SCHEDULE 1 – CONSOLIDATED SEGMENT DISCLOSURES (Note 23)

For the year ended December 31, 2008 (in thousands of dollars)

	Tax-supported											2008
	Protective Services	Transportation Services	Community Services	Waste Management	Other	Total	Drainage Services	Fleet Services	Land Enterprise	Subsidiary Entities	Other	Consolidated (Restated)
Revenues												
Net taxes available for municipal purposes	$	$	$	$	$ 780,399	$ 780,399	$	$	$	$	$	**$ 780,399**
User fees and sales of goods and services	31,673	110,539	60,428	68,660	14,111	285,411	133,028	9,045	34,359			**461,843**
Subsidiary operations										176,290		**176,290**
Government transfers – operating	25,832	474	34,613	258	21,940	83,117	3	(24)				**83,096**
Investment earnings (losses)			425		12,395	12,820	3,934		126		(28,389)	**(11,509)**
Franchise fees					84,334	84,334	(8,218)					**76,116**
Developer and customer contributions – operating			397			397			12			**409**
Fines and penalties	28,345		973		14,804	44,122						**44,122**
Licenses and permits	203	367	39,919			40,489					643	**41,132**
Appropriation of earnings					35,200	35,200					(35,200)	
	86,053	111,380	136,755	68,918	963,183	1,366,289	128,747	9,021	34,497	176,290	(62,946)	**1,651,898**
Expenses												
Salaries, wages and benefits	334,922	201,581	137,677	18,686	142,033	834,899	52,838	43,845			2,881	**934,463**
Materials, goods and utilities	25,671	58,664	43,608	7,111	21,109	156,163	17,141	57,607	9,915		14	**240,840**
Contracted and general services	59,363	101,367	48,082	42,552	43,299	294,663	(9,579)	(81,294)	1,266		1,677	**206,733**
Interest and bank charges	3,188	17,267	3,929	7,906	357	32,647	13,059	1,418	454			**47,578**
Grants and other	65		42,915	227	28,127	71,334	25					**71,359**
Amortization	7,504	140,778	20,494	9,988	29,792	208,556	33,315	35,446				**277,317**
Loss on disposal/replacement of tangible capital assets	2,477	28,287	1,383		15	32,162		48	11,093			**43,303**
	433,190	547,944	298,088	86,470	264,732	1,630,424	106,799	57,070	22,728		4,572	**1,821,593**
Excess (shortfall) of Revenues over Expenses before other	(347,137)	(436,564)	(161,333)	(17,552)	698,451	(264,135)	21,948	(48,049)	11,769	176,290	(67,518)	**(169,695)**
Other												
Subsidiary operations – net comprehensive income adjustment										16,267		**16,267**
Government transfers – capital	7,238	331,009	12,195	4,886	43,737	399,065	25,057	4,672				**428,794**
Developer and customer contributions – capital		33,507	21,654		1,635	56,796	160,803		439			**218,038**
Excess (shortfall) of Revenues over Expenses	$ (339,899)	$ (72,048)	$ (127,484)	$ (12,666)	$ 743,823	$ 191,726	$ 207,808	$ (43,377)	$ 12,208	$ 192,557	$ (67,518)	**$ 493,404**

See accompanying notes to consolidated financial statements.

The City of Edmonton (the City) is a municipality in the Province of Alberta, Canada and operates under the provisions of the *Municipal Government Act*, R.S.A., 2000, c. M-26, as amended (MGA).

1. Significant Accounting Policies

The consolidated financial statements ("the financial statements") of the City are prepared by management in accordance with generally accepted accounting principles for the public sector, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported departments, they include the following:

Edmonton Public Library Board
Edmonton Economic Development Corporation
Drainage Services Utility (Sanitary Drainage Services and Land Drainage Services)
Waste Management
Fleet Services (formerly Mobile Equipment Services)
Land Enterprise (Land Development and Municipal Land Use Property)
Ed Tel Endowment Fund
Vehicle for Hire Commission

Waste Management was established as a utility as of January 1, 2009. Prior to the change, the waste management function was a partially tax-levy funded operation. Ambulance operations, which were included within general government tax-supported departments, were transferred to the provincial Alberta Health Services effective April 1, 2009.

Interdepartmental and inter-organizational transactions are eliminated.

Certain subsidiary corporations are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 18). Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. In accordance with PSAB Accounting Guideline 6 (PSG-6) *Including results of organizations and partnerships applying fair value measurement*, other comprehensive income (loss) due to fair value adjustments is reported on the Consolidated Statement of Operations as Subsidiary operations – net comprehensive income adjustment. Other comprehensive income (loss) reduces the Investment in subsidiaries and Accumulated Surplus (Note 13). Subsidiary corporations accounted for in this manner are:

EPCOR Utilities Inc.
The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)

The financial statements exclude trust assets under administration for the benefit of external parties (Note 22).

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Property tax revenue is based on market value assessments determined in accordance with the MGA. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on assessment appeals outstanding at December 31. Expenses related to tax appeals and allowances are separately disclosed in the Consolidated Statement of Operations.

Government transfers to the City are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Prior to that time, any amounts received, along with restricted interest thereon is recorded as deferred revenue.

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

Authorized government transfers from the City are recorded as expenses when eligibility criteria have been met by the recipient and the amount can be reasonably estimated.

Budget information, as approved by City Council, is reported on an accrual basis, generally consistent with principles applied in the financial statements. The budget for 2009 does not include amounts for amortization of tangible capital assets in tax-supported operations or certain revenues relating to contributed assets.

c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, landfill closure and post-closure care obligations, accrued liabilities, capital asset useful lives as well as provisions made for allowances for amounts receivable.

d) Foreign Currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions or at rates of exchange established by the terms of a forward foreign exchange contract. Gains (losses) on foreign currency translation are included as revenues (expenses).

e) Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

f) Investments

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the present value basis over the terms of the issues. Investments in common and preferred shares are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

g) Debt Recoverable

Debt recoverable consists of amounts that are recoverable under loans made to non-profit organizations and to Non-Profit Housing Corporation, relating to City outstanding long-term debt. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31.

h) Non-Financial Assets

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets are comprised of tangible capital assets, inventories of materials and supplies, and other assets (Note 10).

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction,development or betterment of the asset. The cost, less residual value of the tangible capital assets is amortized on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	20 to 50 years
Buildings	10 to 60 years
Machinery and equipment	3 to 50 years
Vehicles	9 to 35 years
Engineered structures	7 to 100 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributed tangible capital assets

Tangible capital assets acquired as contributions are recorded at their fair value on the date received. Equivalent amounts are recorded as Developer contributed tangible capital assets in the year on the Consolidated Statement of Operations.

iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all benefits and risks incidental to ownership of property are accounted for as capital leases. Assets under capital lease are included within the respective asset classifications. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv) Land under roads

Land under roads that is acquired other than by a purchase agreement is valued at a nominal amount.

v) Inventories of materials and supplies

Inventories of materials and supplies are valued at the lower of average cost and replacement cost.

vi) Cultural, historical, and works of art

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

i) Reserves for Future Expenditures

Certain amounts, as approved by City Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

j) Equity in Tangible Capital Assets

Equity in tangible capital assets represents the investment in tangible capital assets, after deducting the portion financed by long-term debt.

2. Cash and Temporary Investments

	2009	2008
Cash	$ 3,193	$ 11,468
Temporary investments	129,715	246,792
Cheques outstanding in excess of deposits	(15,878)	(24,931)
	$ 117,030	$ 233,329

Temporary investments consist of bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market. Temporary investments have effective rates of 0.2 to 0.5 per cent (2008 – 1.6 to 4.0 per cent) and generally mature within ninety days.Temporary investments are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year.

3. Investments

	Cost		Market Value	
	2009	2008	**2009**	2008
Cash	**$ 1,739**	$ 702	**$ 1,739**	$ 951
Amounts receivable – net	**947**	1,171	**947**	1,171
Fixed income:				
Short-term notes and deposits	**5,843**	17,898	**5,538**	17,942
Government and government guaranteed bonds	**617,169**	529,324	**613,110**	541,023
Corporate bonds and debentures	**257,315**	267,889	**262,939**	259,587
	880,327	815,111	**881,587**	818,552
Common and preferred shares:				
Canadian	**229,768**	302,137	**266,977**	239,529
International	**272,444**	279,800	**266,489**	241,900
	502,212	581,937	**533,466**	481,429
Other investments	**19**	19	**19**	19
	$ 1,385,244	$ 1,398,940	**$ 1,417,758**	$ 1,302,122

Short-term notes and deposits have effective interest rates of 0.2 to 0.3 per cent (2008 – 0.9 to 1.7 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 0.5 to 10.6 per cent (2008 – 1.0 to 13.1 per cent) with maturity dates from January 1, 2010 to March 5, 2050 (2008 – January 19, 2009 to July 4, 2047).

The market value of short-term notes and deposits includes unrealized losses on futures of $97 (2008 – gains of $277). See also Note 20 c).

Investments with a cost of $570,932 (2008 – $616,228) and market value of $589,938 (2008 – $541,021) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the Fund is withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. Any amendment to the Bylaw requires advertisement and a public hearing.

Net undistributed realized losses of $14,043 (2008 – $10,998) relating to multi-unit investment trusts managed by the City have been recorded as at December 31, 2009.

The cost of certain fixed income investments and international shares exceed market value as at December 31, 2009. Management is of the opinion that the loss in value is a temporary decline. No adjustment was made to reduce the carrying value of investments in the current year (2008 – $5,498)

4. Debt Recoverable

Debt recoverable of $65,139 (2008 – $2,393) relates to amounts borrowed by the City and loaned to non-profit organizations and Non-Profit Housing Corporation, in accordance with section 264 of the MGA. The amounts recoverable have the same general repayment terms as the respective debt. Debt recoverable matures in annual amounts to the year 2034 with interest rates ranging from 2.5 to 6.0 per cent.

Principal and interest payments recoverable for the next 5 years and thereafter are as follows:

	Principal	Interest	Total
2010	$ 1,893	$ 3,232	$ 5,125
2011	1,980	3,145	5,125
2012	2,071	3,054	5,125
2013	2,167	2,957	5,124
2014	2,054	2,857	4,911
Thereafter	54,974	30,912	85,886
	$ 65,139	$ 46,157	$ 111,296

5. Deferred Revenue

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified. Certain deferred revenues relate to government transfers as further described in Note 15.

	2009	2008 (Restated)
Operating	$ 82,273	$ 101,697
Capital:		
Alberta Municipal Infrastructure Program (AMIP)	104,920	74,562
Transportation fuel rebate – Federal	35,842	17,362
Innovation and Science grant	16,589	24,996
North/South Trade Highway grant	7,342	7,256
Major Community Facilities Program	5,367	15,975
Other	2,795	3,632
Municipal Sustainability Initiative (MSI) grant		87,622
Transportation fuel rebate – Provincial		33,395
	172,855	264,800
	$ 255,128	$ 366,497

6. Employee Benefit Obligations

	2009	2008
Accrued vacation	$ 63,878	$ 61,877
Post-employment benefits	17,375	15,191
Income replacement plan	10,391	10,749
Banked overtime	9,364	8,892
Major medical and dental plans	5,418	4,253
Group Life Insurance Plan	4,169	4,297
Health care spending	2,955	3,729
Supplementary Management Retirement Plan	1,013	842
Other	471	599
	$ 115,034	$ 110,429

Post-employment benefits represent the City's cost, including the continuation of benefits for employees on long-term disability, and the City's share of pensioners' eligible medical, dental and other obligations.

In order to measure the post-employment obligation, an actuarial valuation was completed by the actuaries of Aon Consulting Inc. regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 4.0 per cent (2008 – 5.5 per cent). The accrued benefit obligation as at December 31, 2009 is $14,299 (2008 – $12,445). The change is comprised of current service cost of $2,459 (2008 – $2,579), interest cost of $749 (2008 – $727), actuarial loss of $1,209 (2008 – gain of $365) and benefits paid during the year of $2,563 (2008 – $2,261).

Eligible post-employment medical and dental obligations are estimated based on a five year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65. Eligible medical obligations for 2009 were $1,846 (2008 – $1,596). Eligible dental obligations for 2009 were $344 (2008 – $323). Other post-employment benefits were $886 (2008 – $827).

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2009, completed by the actuaries of Aon Consulting Inc.

A Group Life Insurance Plan is provided by the City, funded equally by employer and employees. The Plan is administered by Great West Life.

The City sponsors major medical, dental and other employee benefit plans, which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements, and administrative costs are applied to each of the respective plans.

As of January 1, 2007, a health care spending account came into effect for all permanent employees. These employees receive reimbursement up to established limits for eligible expenses not covered under the Supplementary Health Care and Dental Plans. Amounts not used in the current year can be carried forward for one year, an estimate of which has been included in 2009 expenses.

A Supplementary Management Retirement Plan for designated management employees was implemented effective for service beginning January 1, 2003. The liability for total current and past service costs of $1,013 (2008 – $842) has been based upon an actuarial valuation completed by Aon Consulting Inc. as at December 31, 2009.

7. Landfill Closure and Post-closure Care

Under legislation, the City has a liability for closure and post-closure care costs for its landfill. The landfill site reached capacity and was closed August 2009. The period for post-closure care is estimated to be 25 years. An amount of $21,015 (2008 – $19,526) has been accrued, representing the sum of the discounted future cash flows for closure and post-closure care activities, applying a discount rate at the City's average long-term borrowing rate of 5.04 per cent (2008 – 5.10 per cent), and an inflation rate of 2.5 per cent.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

The City has entered into a contract with Beaver Regional Waste Management Services Commission for their provision of landfill capacity effective February 26, 2007 through February 26, 2027, with a further option for the City to extend the term for ten additional years. Under the terms of the agreement the City pays the Commission tipping fees per tonne of waste delivered to the site.

8. Long-term Debt

a) Debt payable

Debt payable, issued in the name of the City, includes the following amounts:

	2009	2008
Debentures	$ 2,066,072	$ 1,667,030
Mortgages	11,385	11,783
	2,077,457	1,678,813
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	250,110	189,304
Sinking Fund assets	334,781	446,071
	1,492,566	1,043,438
Long-term debt is comprised of:		
Self-liquidating debt	625,251	495,720
Tax-supported debt	867,315	547,718
	$ 1,492,566	$ 1,043,438

The amount receivable from EPCOR Utilities Inc. relates to debentures issued in the name of the City on behalf of EPCOR Utilities Inc. The repayment terms are the same as the respective debt with the exception of debt relating to the Gold Bar Wastewater Treatment Facility which is based on a blended semi-annual repayment schedule.

Outstanding debentures of $450,000 are secured by Sinking Fund assets with a carrying value of $334,781 (market value – $344,069) and required earnings of 5.0 per cent (2008 – 5.0 per cent). These assets are comprised of short-term notes and deposits, government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include debentures of the City of Edmonton with a carrying value of $38,731 (market value – $41,543).

Short-term notes and deposits have an effective interest rate of 0.0 per cent (2008 – 0.9 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 0.5 to 6.7 per cent (2008 – 1.0 to 13.1 per cent) with maturity dates from June 1, 2010 to June 1, 2037 (2008 – January 19, 2009 to June 1, 2037).

Principal payments on long-term debt for the next five years are as follows:

	2010	2011	2012	2013	2014	Thereafter
Self-liquidating debt	$ 52,529	$ 48,227	$ 45,947	$ 44,804	$ 42,553	$ 581,274
Tax-supported debt	33,710	34,845	35,767	36,723	38,483	687,787
	86,239	83,072	81,714	81,527	81,036	1,269,061
Less:						
Payments on offsetting EPCOR amounts receivable	10,895	8,148	7,450	7,855	7,716	92,826
Sinking Fund principal	13,609	11,341	9,073	6,049	3,024	12,097
	$ 61,735	$ 63,583	$ 65,191	$ 67,623	$ 70,296	$ 1,164,138

Payments on offsetting amounts receivable and Sinking Fund principal amounts relate to self-liquidating debt. The above amounts do not include annual Sinking Fund required earnings.

b) Debt and debt service limits

A Regulation under section 271 of the MGA requires that debt, debt limit and debt service (principal and interest payments) limit be disclosed. The debt limit, as defined in the Regulation, is two times revenue net of capital government transfers. The debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs.

The City's position with respect to the debt and debt service limits is as follows:

	2009	2008 (Restated)
Total debt limit	**$ 3,233,906**	$ 3,003,628
Total debt per Regulation	**1,492,566**	1,043,438
Percentage used (%)	**46.15**	34.74
Total debt service limit per Regulation	**$ 565,934**	$ 525,635
Total debt service	**134,473**	103,124
Percentage used (%)	**23.76**	19.62

c) Maturities and interest rates

Existing long-term debt matures in annual amounts to the year 2034 and debenture interest is payable, before provincial subsidy, at rates ranging from 2.5 to 11.8 per cent (2008 – 3.2 to 12.0 per cent). The average annual interest rate is 5.0 per cent for 2009 (2008 – 5.1 per cent) before rebate. The Province rebates 60 per cent of interest in excess of 8 per cent, 9 per cent, and 11 per cent for qualifying debt issues. The Province pays the interest for the first five years for qualifying debt issues related to energy conservation, through the ME *first!* program.

d) Interest on long-term debt

	2009	2008
Self-liquidating debt	**$ 89,073**	$ 90,472
Tax-supported debt	**32,851**	18,412
	121,924	108,884
Less payments on offsetting amounts receivable	**64,105**	66,192
Long-term debt interest included in interest and bank charges (Note 17)	**$ 57,819**	$ 42,692

9. Tangible Capital Assets

Cost	Opening Balance (Restated)	Additions	Disposals	Closing Balance
Land	$ 745,180	$ 63,639	$	**$ 808,819**
Land improvements	702,413	25,252		**727,665**
Buildings	849,651	146,523	(11,578)	**984,596**
Machinery and equipment	469,813	73,677	(21,731)	**521,759**
Vehicles	554,129	175,455	(18,462)	**711,122**
Engineered structures				
Roadway system	4,479,380	270,045	(20,443)	**4,728,982**
Drainage system	2,054,445	253,639	(309,876)	**1,998,208**
Light rail transit	518,833	88,742		**607,575**
Waste	142,212	6,760		**148,972**
Bus system	73,898	2,457		**76,355**
Other	8,881	169		**9,050**
	10,598,835	1,106,358	(382,090)	**11,323,103**
Assets under construction	1,166,208	266,956		**1,433,164**
	$ 11,765,043	$ 1,373,314	$ (382,090)	**$ 12,756,267**

Accumulated Amortization	Opening Balance (Restated)	Additions	Disposals	Closing Balance
Land improvements	$ 375,816	$ 15,887	$	**$ 391,703**
Buildings	541,157	20,788	(2,722)	**559,223**
Machinery and equipment	258,461	48,764	(18,635)	**288,590**
Vehicles	247,252	33,916	(16,245)	**264,923**
Engineered structures				
Roadway system	2,534,697	125,336	(17,696)	**2,642,337**
Drainage system	515,037	25,544	(63,565)	**477,016**
Light rail transit	260,411	11,868		**272,279**
Waste	69,758	8,520		**78,278**
Bus system	36,467	3,281		**39,748**
Other	2,115	336		**2,451**
	4,841,171	294,240	(118,863)	**5,016,548**
Net Book Value	$ 6,923,872	$ 1,079,074	$ (263,227)	**$ 7,739,719**

Additions to assets under construction are reported net of those tangible capital assets placed into service during the year, which are shown in their respective asset classifications.

$241,074 in land, land improvements, and engineered structures were contributed to the City in 2009 and were represented at their fair value at the time received (2008 – $191,832).

In 2009, the decommissioning of the trolley bus system began, resulting in the permanent full write down of $658 on the remaining trolley buses.

10. Other Assets

	2009	2008
Prepaid expenses – operational	**$ 7,114**	$ 7,513
Deferred charges	**11,114**	
Pension net fund asset (Note 19)	**24,675**	29,174
	$ 42,903	$ 36,687

11. Equity in Tangible Capital Assets

	2009	2008 (Restated)
Tangible capital assets (Note 9)	**$ 12,756,267**	$ 11,765,043
Accumulated amortization (Note 9)	**(5,016,548)**	(4,841,171)
Long-term debt (Note 8)	**(1,492,566)**	(1,043,438)
Debt charges recoverable (Note 4)	**65,139**	2,393
	$ 6,312,292	$ 5,882,827

12. Reserves for Future Expenditures

	2009	2008 (Restated)
General Government:		
Financial stabilization	$ 71,366	$ 85,413
Financial stabilization – appropriated	43,297	31,823
LRT	14,924	9,814
Affordable housing	14,782	18,459
Parkland reserve	12,683	12,618
Funds in Lieu/residential	8,254	15,324
Enterprise portfolio/Commonwealth Stadium	7,990	6,752
Natural areas	5,058	5,251
Neighbourhood renewal	4,723	
Perpetual care	4,041	3,920
Heritage resources	2,924	2,896
Self Insurance – vehicles	2,500	2,500
Other	2,191	3,957
Tax-supported debt	1,090	8,731
Northlands – capital	683	2,069
Waste management rate stabilization		18,960
Benefit plan		6,500
	196,506	234,987
Edmonton Public Library Board	743	389
Edmonton Economic Development Corporation	1,590	1,560
	$ 198,839	$ 236,936

13. Accumulated Surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets, as follows:

	2009	2008 (Restated)
Unrestricted surplus (deficit)		
General government operations	$ 36,322	$ (17,869)
Excess earnings in Sinking Fund	3,962	30,194
Restricted surplus		
Pension	24,675	29,174
Drainage Services Utility	63,673	10,223
Land Enterprise	112,676	123,738
Fleet Services	46,296	35,567
Waste Management	17,039	
Ed Tel Endowment Fund	570,932	616,227
EPCOR Utilities Inc.	2,469,884	2,429,227
Non-Profit Housing Corporation	897	860
Edmonton Public Library Board	538	538
Edmonton Economic Development Corporation	1,230	1,378
Vehicle for Hire Commission	101	74
Reserves for futures expenditures (Note 12)	198,839	236,936
Advances for capital (capital to be financed)	25,981	(50,218)
Equity in tangible capital assets (Note 11)	6,312,292	5,882,827
	$ 9,885,337	$ 9,328,876

14. Net Taxes Available for Municipal Purposes

	2009	2008
Taxes:		
Property and business taxes	$ 1,113,011	$ 1,033,431
Revenue in lieu of taxes	28,194	24,547
Local improvement levies	8,627	8,797
Other	5,480	5,761
	1,155,312	1,072,536
Less taxes on behalf of:		
Education	314,899	289,916
Business revitalization zones	2,647	2,221
	317,546	292,137
	$ 837,766	$ 780,399

The City is required to levy taxes under section 353 of the MGA towards payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to trade and other receivables.

An amount of education taxes payable of $1,287 on supplementary levies has been recorded at December 31, 2009 (2008 – $1,590) within accounts payable and accrued liabilities.

15. Government Transfers

	2009	2008 (Restated)
Operating transfers:		
Federal	$ 37,166	$ 19,669
Provincial	71,415	63,427
	108,581	83,096
Capital transfers:		
Federal:		
Shared cost agreements	3,640	3,335
Grants and entitlements	6,950	10,211
Provincial:		
Shared cost agreements	2,841	4,337
Grants and entitlements	453,012	410,911
	466,443	428,794
	$ 575,024	$ 511,890

In 2008, the City received a grant of $79,578 from the Province for Affordable Housing Program Municipal Block Funding. The grant will be administered through the City's Cornerstone program to assist qualified applicants to purchase/renovate existing rental accommodation units, to construct new units, and to develop secondary suites and transitional housing. $18,328 (2008 – $12,193) has been recognized as operating transfer revenue, with $48,822 (2008 – $68,577) including interest of $650 (2008 – $1,192) has been deferred to future years. $2,077 has been recognized as capital government transfers.

In 2005, the Federal government introduced the New Deal for Cities and Communities to assist in reducing the backlog of necessary sustainable capital infrastructure projects that have been deferred. In 2009, the City received $58,362 (2008 – $19,987) and recognized $3,911 (2008 – $9,008) as capital government transfers and $35,842 (2008 – $17,362) including interest of $213 (2008 – $979) as deferred revenue under the Transportation Fuel Rebate – Federal. The City also recognized $36,184 (2008 – $18,322) as operating government transfers under the program. The funding was used for the South LRT project and bus fleet facilities and equipment rehabilitation.

The Provincial City Transportation Fund provides annual funding for developing and implementing safe, effective and integrated transportation systems and facilities. In 2009, the City received funding of $85,545 (2008 – $113,327) and has recognized $152,663 (2008 – $119,308) as capital government transfers, including interest of $235. $33,488 was recognized as a receivable (2008 – deferred revenue of $33,395).

The Provincial government introduced the Alberta Municipal Infrastructure Program (AMIP) in 2005 to assist municipalities in addressing capital infrastructure needs. In 2009, the City received a per capita grant of $120,694 (2008 – $120,694), and recognized $91,133 (2008 – $247,076) as government transfers. $104,920 (2008 – $74,562), including interest of $797 (2008 – $6,483), of cumulative AMIP transfers have been deferred to future years.

In 2007, the Provincial government introduced the Municipality Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. The City received $71,862 in 2009 (2008 – $91,803), and recognized $187,189 (2008 – $41,346) including interest of $618 (2008 – $2,114) as government transfers. $27,087 has been recorded as a receivable (2008 – deferred revenue of $87,622).

The Provincial government has provided grants under the Alberta Disaster Relief Program for flood damage in 2004, 2005, and 2006 and wind damage in 2009. $3,765 was received in 2009, of which $731 (2008 – $455) has been recognized in operating government transfers, $3,096 (2008 – $712) in capital government transfers, and $1,642 (2008 – $1,580) has been recorded as a receivable.

A grant of up to $29,000 has been approved under the Alberta Innovation and Science Program, to provide funding for a solid waste gasification demonstration facility. In 2009, $0 (2008 – $10,000) was received, $2,060 (2008 – $886) has been recognized as government transfers for capital, and $6,600 (2008 – $0) has been recognized as government transfers for operations. $16,589 (2008 – $24,996) including interest of $253 (2008 – $770), has been reported as deferred revenue.

In 2009, the City received $1,469 (2008 – $15,800) in a Major Community Facilities Program (MCFP) grant for the Southwest Recreational Centre, Muttart Conservatory and North Branch Library projects. $12,438 (2008 – $0) has been recognized as revenue, and $5,367 (2008 – $15,975) has been recognized as deferred revenue, including interest of $361 (2008 – $176).

In 2009, the City received $3,030 (2008 – $1,171) in Canada-Alberta Municipal Rural Infrastructure Funds (CAMRIF). $8,062 (2008 – $3,402) has been recognized from both Federal and Provincial governments as revenue. $7,745 has been recorded as a receivable (2008 – $2,713).

In 2009, the City received $1,750 from the Federal portion of the Infrastructure Stimulus Fund. $799 was recorded as capital government transfers, and the remaining $952, including interest of $1 has been reported as deferred revenue.

For government transfer amounts deferred to future years, see also Note 5.

16. Executive Salaries and Benefits

The following executive salaries and benefits are disclosed as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Salaries	Benefits	2009	2008
Mayor	$ 135	$ 33	**$ 168**	$ 173
Councillors (12)	948	225	**1,173**	1,153
Chief Administrative Officer	383	17	**400**	391
City Assessor	167	21	**188**	172
	$ 1,633	$ 296	**$ 1,929**	$ 1,889

Twelve Councillors, two for each of six wards, are each paid a base salary of $79.0 (2008 – $77.6). Each receives benefits in the range of $16.4 to $20.5 (2008 – $15.9 to $20.7).

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, Alberta Health Care, dental coverage, medical coverage, group life insurance, short-term disability insurance, and transportation allowances.

Executive salaries and benefits are included in corporate administration expenses in the Consolidated Statement of Operations.

17. Expenses by Object

	2009	2008 (Restated)
Salaries, wages and benefits	**$ 996,142**	$ 934,463
Materials, goods and utilities	**217,326**	240,840
Contracted and general services	**201,764**	206,733
Interest and bank charges	**64,938**	47,578
Grants and other	**92,655**	71,359
Amortization	**294,240**	277,317
Loss on disposal/replacement of tangible capital assets	**3,831**	43,303
	$ 1,870,896	$ 1,821,593

18. Subsidiary Operations

a) EPCOR Utilities Inc.

EPCOR Utilities Inc. (EPCOR), established by City Council under City Bylaw 11071, is wholly owned by the City. EPCOR builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers.

The following table provides condensed supplementary financial information for EPCOR. Consolidated financial statements are contained within EPCOR's annual report and can be obtained by contacting the corporate offices of EPCOR.

	2009	2008
Financial position:		
Current assets	$ 525,569	$ 833,974
Capital assets	1,778,377	4,653,795
Investment in Capital Power	1,481,146	
Other assets	956,312	1,460,265
Total assets	4,741,404	6,948,034
Current liabilities (including current portion of long-term debt of $224,504 (2008 - $26,305))	498,824	942,280
Non-current liabilities	80,859	874,233
Long-term debt	1,691,837	2,702,294
Total liabilities	2,271,520	4,518,807
Accumulated other comprehensive loss	(15,878)	(47,098)
Share capital contribution	23,582	
Retained earnings	2,462,180	2,476,325
Shareholder's equity	2,469,884	2,429,227
Results of operations:		
Revenues	2,383,750	3,476,191
Equity share of income – Capital Power	65,260	
Expenses	2,324,096	3,301,176
Net income	124,914	175,015
Net refundable tax adjustment and change in accounting policies	(5,359)	1,191
Net income and adjustments	$ 119,555	$ 176,206
Net comprehensive income adjustment	$ 31,220	$ 16,267
Dividend to shareholder (City of Edmonton)	$ 133,700	$ 130,435

In the regulatory environment that EPCOR operates in, estimates are often required to be recorded until values are finalized and adjusted pursuant to subsequent regulatory decisions, or proceedings. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

On March 31, 2009 the City transferred Gold Bar Wastewater Treatment Facility assets and operations to EPCOR. Net assets of $210,228 were exchanged for a $75,000 transfer fee payable and $111,646 in debt payable, resulting in a net share capital contribution from the City of $23,582. $16,500 of the transfer fee was paid to the City in 2009. See also Note 24.

Through a series of transactions, EPCOR sold substantially all of its power generation assets net of certain liabilities to Capital Power, in early July, 2009. Effectively, EPCOR sold 27.8 per cent of its interest and through its equity investment in Capital Power retains a 72.2 per cent interest in that business. The difference between EPCOR's net carrying amount of $2,854,687 and the consideration received resulted in a loss of $92,299 plus a $37,552 unrealizable tax loss. As partial consideration of the sale, EPCOR received $896,000 in unsecured long-term loans receivable from Capital Power. The repayments of these loans effectively mirror certain long-term debt repayment obligations of EPCOR with repayment dates extending to June 30, 2018. As at December 31, 2009 $857,000 is outstanding, reported as $245,000 in current assets and $612,000 in other assets. As a result of restrictive rights, EPCOR has significant influence, but not control of Capital Power. Therefore, EPCOR has used the equity method to account for its investment in Capital Power from the effective date of the sale.

Principal payments on EPCOR's long-term debt for the next five years and thereafter are as follows:

2010	$ 227,650
2011	232,008
2012	24,366
2013	18,007
2014	14,097
Thereafter	1,400,213
	$ 1,916,341

EPCOR has issued letters of credit for $98,530 (2008 – $252,961) to meet the credit requirements of energy market participants, as conditions of certain agreements or to satisfy legislated reclamation requirements.

The following summarizes the City's related party transactions with EPCOR for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	2009	2008
Dividend paid to the City	**$ 133,700**	$ 130,435
Power and water purchased by the City	**14,783**	25,723
Other services purchased by the City	**72,540**	71,531
Franchise fees and revenue tax to the City	**52,314**	41,473
Property taxes and other taxes to the City	**9,642**	10,106
Sales of administrative and construction services from the City	**9,969**	7,359
Financing expenses paid or payable to the City	**41,214**	43,604
Costs of capital construction paid or payable to the City	**1,522**	2,667

Within current assets and other assets is $15,212 (2008 – $10,018) due from the City. Current liabilities of $15,250 and non-current liabilities of $43,250 relate to transfer fees payable to the City with respect to the Gold Bar transfer.

Long-term debt reported by EPCOR includes amounts of $250,112 (2008 – $189,304) issued in the name of the City. Offsetting short and long-term receivables from EPCOR have been applied to reduce the consolidated long-term debt (Note 8).

b) The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)

The City is the sole shareholder of Non-Profit Housing Corporation, established in 1977 for the purpose of providing non-profit housing for the citizens of Edmonton. Pursuant to operating agreements, Non-Profit Housing Corporation receives subsidies from Canada Mortgage and Housing Corporation and Alberta Housing and Urban Affairs.

The financial statements of Non-Profit Housing Corporation are prepared in accordance with a disclosed basis of accounting. The effect, had the financial statements been prepared in accordance with generally accepted accounting principles, would not be material to the amounts disclosed by the City. The following table provides condensed supplementary financial information for Non-Profit Housing Corporation.

		2009		2008
Financial position:				
Current assets	$	5,279	$	4,669
Housing projects		27,903		22,713
Total assets		33,182		27,382
Current liabilities (includes current portion of debt payable of $1,962 (2008 – $1,749))		4,183		2,861
Long-term debt		18,493		17,229
Deferred capital grant		8,104		4,412
Total liabilities		30,780		24,502
Replacement reserves		1,505		2,020
Net assets – internally restricted		897		860
Results of operations:				
Revenues		6,456		5,991
Expenses		5,823		5,251
Excess of revenue over expenses		633		740
Interest earned		9		24
Reserve allocation		(605)		(680)
Change in net assets	$	37	$	84

Included in current assets is a cash balance of $4,816 (2008 – $4,496) which is managed by the City on behalf of Non-Profit Housing Corporation.

During 2009, Non-Profit Housing Corporation acquired an additional rental property with 24 additional units. Two other properties are currently under development.

Principal payments on long-term debt for the next five years and thereafter, assuming renewals of mortgages on similar terms and conditions, are as follows:

2010	$	1,962
2011		2,025
2012		2,139
2013		2,234
2014		2,332
Thereafter		9,763
	$	20,455

19. Pension and Long-term Disability Plans

a) Local Authorities Pension Plan

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan (LAPP), which is one of the multi-employer plans covered by the *Public Sector Pension Plans Act* of Alberta.

The City is required to make current service contributions to the Plan of 8.46 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 11.66 per cent thereafter. Employees of the City are required to make current service contributions of 7.46 per cent of pensionable salary up to YMPE and 10.66 per cent thereafter. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City to the LAPP in 2009 were $52,827 (2008 – $46,543). Total current service contributions by the employees of the City to the LAPP in 2009 were $47,207 (2008 – $41,555).

The LAPP reported a deficiency for the overall plan as at December 31, 2008 of $4,413,971. Information as at December 31, 2009 was not available at the time of preparing these financial statements.

b) Special Forces Pension Plan

Police officers employed by the City are participants in the multi-employer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 10.36 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Participants of the SFPP are required to make current service contributions of 9.26 per cent of pensionable salary and past service contributions of 0.75 per cent of pensionable salary to the Plan. Contributions for current and past service are recorded as expenses in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2009 were $13,219 (2008 – $12,830). Total current and past service contributions by the participants to the SFPP in 2009 were $11,909 (2008 – $11,559).

The SFPP reported a deficiency for the plan as at December 31, 2008 of $429,966, comprised of $243,888 for pre-1992 and $186,078 relating to post-1991. More recent information was not available at the time of preparing these financial statements.

c) City-Sponsored Pension and Long-term Disability Plans

The following summarizes plans sponsored by the City. Assets related to the plans are held in trust as disclosed in Note 22.

i) Annuity Plan

The City provides pension benefits to members who were retired at the time the City's Pension Plan was transferred to the Province of Alberta. There are no active members enrolled in the Plan and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $5 (2008 – $31).

ii) Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 23 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $104 (2008 – $121).

iii) Fire Fighters' Supplementary Pension Plan

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were $5,573 (2008 – $4,971). Employee contributions for the year were $2,186 (2008 – $2,001). Employer contributions for the year were $1,498. As of May 24, 2009 the City began making contributions. The City had previously taken a contribution holiday since January 2001.

iv) Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan

The City of Edmonton Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the positions of fire chief and deputy fire chiefs. Contributions are made by plan members and the City. The pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were $148 (2008 – $179). Employee contributions for the year were $12 (2008 – $11), and employer contributions were $11 (2008 – $7).

An actuarial valuation for each pension plan was completed by Aon Consulting Inc. as at December 31, 2009. Each 2009 actuarial valuation was based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.75 per cent (2008 – 2.75 per cent). The discount rate used to determine the accrued benefit obligation is 6.25 per cent (2008 – 6.25 per cent). Each pension fund's assets are valued at market value. The expected rate of return on plan assets is 6.25 per cent (2008 – 6.25 per cent).

The following table sets out the results for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	**2009**	2008
Fair value of assets	$ 8,463	$ 6,878	$ 122,323	$ 2,139	**$ 139,803**	$ 123,440
Accrued benefit obligation	16	716	128,881	2,371	**131,984**	125,109
Funded status – surplus (deficit)	8,447	6,162	(6,558)	(232)	**7,819**	(1,669)
Unamortized net actuarial loss			31,094	371	**31,465**	43,463
Accrued benefit asset	8,447	6,162	24,536	139	**39,284**	41,794
Valuation allowance	8,447	6,162			**14,609**	12,620
Net fund asset	$	$	$ 24,536	$ 139	**$ 24,675**	$ 29,174

The net fund asset balance is included in other assets (Note 10). The net actuarial loss is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 15.9 years (2008 – 15.7 years) and of the Fire Chief plan of 2.8 years (2008 – 3.7 years).

The following table sets out the benefit plan related expense for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	**2009**	2008
Current service cost	$	$	$ 4,411	$ 22	**$ 4,433**	$ 4,250
Amortization of actuarial (gain) loss	(676)	(525)	2,669	189	**1,657**	4,567
Increase (decrease) in valuation allowance	1,133	856			**1,989**	(2,425)
Less: employee contributions			(2,186)	(12)	**(2,198)**	(2,012)
Benefit plan expense for the year	457	331	4,894	199	**5,881**	4,380
Interest cost on accrued benefit obligation	1	44	7,589	142	**7,776**	7,494
Expected return on plan assets	(458)	(375)	(6,699)	(117)	**(7,649)**	(9,262)
Benefit plan interest expense (income)	(457)	(331)	890	25	**127**	(1,768)
Total benefit plan related expense	$	$	$ 5,784	$ 224	**$ 6,008**	$ 2,612

v) Long-term Disability Plan

The Long-term Disability Plan is available to permanent City employees to provide protection against loss of income. The employee pays 100 per cent of the premium for the Plan.

An actuarial valuation of the Plan was completed by Aon Consulting Inc. as at December 31, 2009. The Plan's assets are valued using a moving average market value.

		2009		2008
Fair value of assets	$	66,001	$	64,203
Less:				
Accrued benefit obligation		51,420		50,772
Other obligations and deferred gains		(2,649)		1,770
Net assets	$	17,230	$	11,661

20. Commitments

a) Capital Commitments

City Council has approved a 2009 – 2011 Capital Budget. Certain projects include expenditures which extend beyond 2011. The future requirement of $3,556,538 is to be funded as follows:

Government transfers, developer contributions and accumulated surplus	$ 1,662,236
Pay-as-you-go financing	358,690
Tax-supported debentures	825,074
Self-liquidating debentures	710,538
	$ 3,556,538

Capital requirements related to EPCOR are not included in the Capital Budget. Certain capital commitments for EPCOR have been disclosed in Note 18.

b) Lease Commitments

The City has entered into a number of operating lease agreements, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

2010	$ 17,640
2011	15,196
2012	13,161
2013	11,611
2014	9,141
Thereafter	44,317
	$ 111,066

c) Contractual Obligations

To mitigate the risk of fluctuation in fuel prices the City has entered into forward contracts to purchase 39 million litres of heating oil for monthly periods from January 2010 through December 2010 with settlement dates ranging from February 5, 2010 through January 10, 2011 at prices from $0.5880 to $0.6185 per litre, or $23,454.

Futures contracts are agreements to receive or deliver cash or securities with respect to a particular underlying instrument. The City has entered into futures contracts with a notional value of $5,700. As at December 31, 2009 the unrealized loss related to futures of $97 (2008 – gain of $277) has been reported within the market value of short-term notes and deposits in Note 3. The contracts have a term of maturity within one year.

21. Contingent Liabilities

a) The City is defendant in various lawsuits as at December 31, 2009. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.

b) The City is reviewing environmental objectives and liabilities for its activities and properties as well as any potential site reclamation obligations. The amount of any such obligations has not been determined.

22. Trust Assets under Administration

The City administers Pension Fund, Long-term Disability Plan and other assets in trust on behalf of third parties. As related trust assets are not owned by the City, the trusts have been excluded from the reporting entity.

	2008	Deposits (Withdrawals)	Earnings (Losses)	2009
Pension Funds Net Assets:				
Annuity Fund	$ 7,331	$ (14)	$ 1,146	**$ 8,463**
Police Supplementary Pension Fund	6,055	(112)	935	**6,878**
Fire Fighters' Supplementary Pension Fund	108,208	(2,194)	16,309	**122,323**
Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund	1,846	35	258	**2,139**
	123,440	(2,285)	18,648	**139,803**
Long-term Disability Plan	63,381	4,037	(1,137)	**66,281**
Other	661	101	3	**765**
	$ 187,482	$ 1,853	$ 17,514	**$ 206,849**

Pension Fund assets include fixed income investments in government and government guaranteed bonds, and corporate bonds valued at market quotations from Canadian investment dealers, and Canadian and international common and preferred shares valued at the closing price on the stock exchange where listed. Assets of the pension funds are administered by the Investment Committee of the City.

Long-Term Disability Plan assets are investments held in trust, comprised of government and government guaranteed bonds, corporate bonds, and Canadian and international common and preferred shares.

23. Segment Disclosures

The Consolidated Schedule of Segment Disclosures – Schedule 1 has been prepared in accordance with PSAB Handbook Section 2700 (PS2700) *Segment Disclosures*. With the change in reporting model effective January 1, 2009 the segments selected have been refined, and comparative information for 2008 has been restated. Segment disclosures are intended to enable users to better understand the government reporting entity and the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent amounts directly attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes. Segments include:

a) **Tax-supported programs** consist of those that are directly supported by property and business taxes, including the tax allocation provided directly to other operations, as follows:

- **Protective Services** is comprised of police, traffic safety, bylaw enforcement and emergency response.
- **Transportation Services** includes bus, light rail transit, roadway and parking services.
- **Community Services** includes parks and recreation, community and family services, planning and public housing. Also included are Edmonton Public Library Board and Edmonton Economic Development Corporation, which are managed by separate Boards.
- **Other tax-supported** consists of corporate administration, general municipal services, tax appeals and allowances and excess Sinking Fund earnings. Revenues that are not directly attributed to another segment are also recorded within this other tax-supported segment.

b) **Drainage Services** includes the Sanitary Utility (collection and transmission of wastewater) as well as the Land Drainage Utility (collection and transmission of storm water). The utilities operate under a full cost recovery model to support operating requirements and address long-term capital requirements. On April 1, 2009 the operations of the Gold Bar Wastewater Treatment Facility were transferred from Drainage Services to EPCOR.

c) **Fleet Services** provides vehicle and equipment procurement, maintenance, fleet engineering, fabrication services, fuel management and fleet administration to other City departments, Alberta Health Services (ambulance) and EPCOR.

d) **Land Enterprise** is comprised of land development and municipal use property activities. Land development includes the City's role as a land developer in the areas of acquisition, development and land sales activities. Municipal use property involves the acquisition of land for municipal purposes and disposal of land deemed surplus to municipal needs. The Land Enterprise is intended to be operated on a self-sustaining basis.

e) **Waste Management** delivers customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs. Waste Management adopted the Utility business model as of January 1, 2009. Previously, Waste Management was considered part of tax-supported programs.

f) **Subsidiary Entities** include the government business enterprises, EPCOR and Non-Profit Housing Corporation, accounted for on a modified equity basis.

g) **Other** includes the Ed Tel Endowment Fund, Vehicle for Hire Commission and pension adjustments. The Ed Tel Endowment Fund is an investment fund created in 1995 with the proceeds from the sale of the municipal telephone company. The proceeds from the sale were invested and provide an annual dividend to support tax-supported programs based on conditions set out in Bylaw 11713.

The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the consolidated financial statements (Note 1).

24. Transfer of Gold Bar Wastewater Treatment Facility

At their meeting of January 20/21, 2009, Edmonton City Council approved the transfer of the Gold Bar Wastewater Treatment Facility assets and liabilities to EPCOR, effective March 31, 2009. The transfer values and the terms of subsequent transactions were established within a master agreement and other supporting agreements.

$258,153 in net tangible capital assets was transferred from Drainage Services to EPCOR, including $47,925 in contributed assets, previously financed by developers and government transfers. The capital contribution transfer is reflected as an adjustment to opening Accumulated Surplus on the Consolidated Statement of Operations. In exchange, the City recorded $111,646 in long-term debt receivable and $75,000 in transfer payments receivable, leaving a net capital equity contribution from the City to EPCOR of $23,582. The capital equity contribution has been recorded as an increase to the Investment in subsidiaries on the Consolidated Statement of Financial Position and a transfer within the accumulated surplus from Drainage Services to EPCOR.

During 2009 the City received $16,500 in transfer payments related to the transfer. The remaining $58,500 in transfer payments is to be received in declining amounts over the next six years, with $15,250 receivable in 2010.

25. Change in Accounting Policy

During the year, the City adopted PSAB Handbook Sections PS1000 – *Financial Statement Concepts*, PS1100 – *Financial Statement Objectives*, and PS1200 – *Financial Statement Presentation*, which require changes in presentation and reporting on a full accrual basis of accounting. These handbook sections were applicable for fiscal years beginning on or after January 1, 2009.

In addition, the City adopted PS3150 – *Tangible Capital Assets*, which requires governments to record and amortize all tangible capital assets. All contributed tangible capital assets are recorded along with the respective revenue for developer contributed tangible capital assets, in the year of the transfer at fair market value. These changes have been applied retrospectively, with restatement of prior period results.

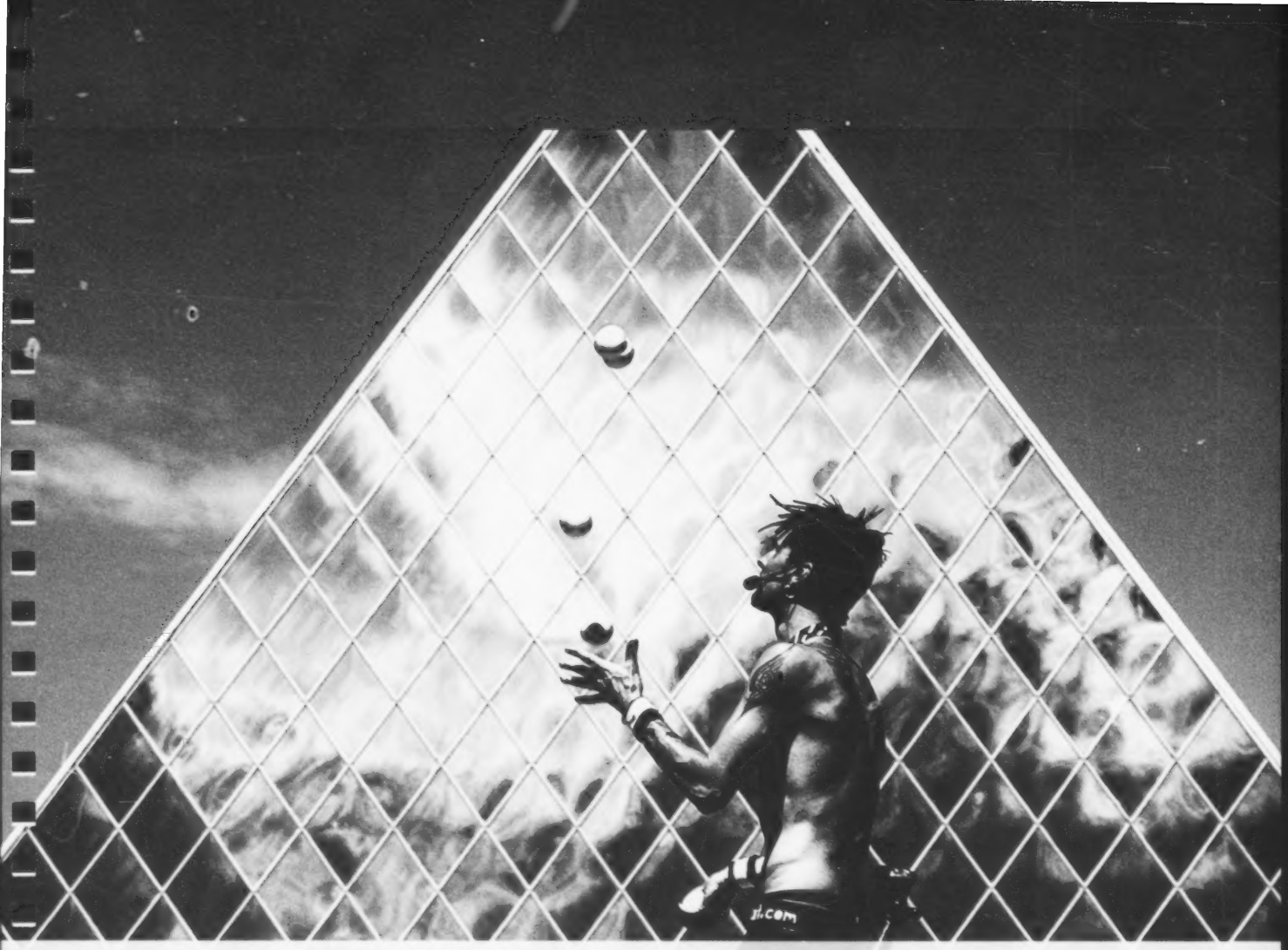
The following table outlines the adjustments made to the 2008 figures to reflect the above changes in accounting policy.

Adjustments to opening accumulated surplus:	
As previously reported	$ 5,252,217
Restatement of reserves and deferred revenue	(4,547)
Adjustment to net book value of tangible capital assets	3,587,802
As restated	$ 8,835,472
Adjustments to excess (shortfall) of revenues over expenses:	
As previously reported	
Deficiency of revenues over expenditures	$ (557,467)
Subsidiary operations - net comprehensive income	16,267
	(541,200)
Capital fund expenditures as previously reported	1,338,981
Adjustment to operating expenses for tangible capital asset change	(13,727)
Annual amortization expense	(277,317)
Additional developer contributed assets	34,694
Loss on disposal/replacement of tangible capital assets	(43,303)
2008 revenues restated as deferred revenue	(3,341)
Proceeds on disposal of tangible capital assets removed from revenue	(1,383)
As restated	$ 493,404
Adjustments to tangible capital assets:	
Physical assets (net), as previously reported	$ 3,026,628
Inventory of materials and supplies previously included as physical assets	(26,302)
Adjustment to opening net book value of targible capital assets	3,587,802
Additional 2008 net tangible capital asset additions	301,050
Additional developer contributed assets	34,694
As restated	$ 6,923,872

Adjustments to deferred revenue:		
As previously reported	$	352,349
Opening 2008 restatement of reserves and deferred revenue		4,547
Reclassification of accounts payable and accrued liabilities to deferred revenue		6,260
2008 revenues restated as deferred revenue		3,341
As restated	$	366,497

26. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.



2009 Annual Report
The City of Edmonton, Alberta, Canada

Schedules & Statistics

STATISTICAL REVIEW FOR THE YEARS 2005 TO 2009
GENERAL MUNICIPAL DATA

Unaudited

	2009	2008	2007	2006	2005
Population (Note 1)	**782,439**	752,412	730,372	730,372	712,391
Population age distribution (%) (Note 1)					
0-4	**5.77**	5.70	5.58	5.58	4.20
5-19	**17.52**	17.80	18.10	18.10	18.09
20-29	**17.81**	17.60	17.52	17.52	18.18
30-39	**14.95**	14.60	14.31	14.31	14.78
40-49	**14.95**	15.20	15.92	15.92	15.89
50-59	**13.27**	13.10	12.77	12.77	12.65
60-64	**4.44**	4.30	3.93	3.93	3.94
65+	**11.29**	11.70	11.87	11.87	12.27
Area - in hectares	**69,980**	69,980	69,980	69,980	69,980
- in square kilometers (rounded)	**700**	700	700	700	700
Value of building permits ($000)	**$ 2,448,601**	$ 2,611,673	$ 2,461,527	$ 2,305,717	$ 2,110,749
Number of housing starts (per Canada Mortgage and Housing Corporation)	**3,911**	3,979	8,894	9,816	9,434
Household median total income (Note 2) (per Statistics Canada) ($)					
Edmonton	**$ 83,460**	$ 83,460	$ 83,460	$ 79,300	$ 72,600
Alberta	**82,030**	82,030	82,030	78,400	71,000
Canada	**66,550**	66,550	66,550	63,600	60,600
Consumer price index – 2002 base year (per Statistics Canada)					
Edmonton	**121.6**	121.4	117.4	112.0	108.6
Alberta	**121.5**	121.6	117.9	112.3	108.1
Canada	**114.4**	114.1	111.5	109.1	107.0
Unemployment rate (%) – annual average (per Statistics Canada)					
Edmonton (metropolitan area)	**6.7**	3.7	3.8	3.9	4.5
Alberta	**6.6**	3.6	3.5	3.4	3.9
Canada	**8.3**	6.1	6.0	6.3	6.8
City of Edmonton employees (Note 3)	**12,166**	11,847	11,077	10,611	10,137

Source: The City of Edmonton Planning and Development Department.

Notes:

1. The population figures are as per the 2005 City, 2006 Canada, 2008 City, and 2009 City Census.
2. Updated figures for 2008 and 2009 household median total income are not yet available. The amounts shown continue to reflect the 2007 data.
3. Positions are stated in full time equivalents.

STATISTICAL REVIEW FOR THE YEARS 2005 TO 2009
ASSESSMENT AND TAX LEVY

Unaudited (in thousands of dollars, except per capita)

	2009	2008	2007	2006	2005
Assessment:					
Total taxable assessment (market value)	**$ 132,072,265**	$130,528,323	$ 79,636,231	$ 64,209,785	$ 57,758,248
Percentage of total assessment represented by:					
Residential properties	**75.1**	80.7	77.8	77.3	78.1
Commercial properties	**24.9**	19.3	22.2	22.7	21.9
Taxable assessment per capita	**$ 168,796**	$ 173,480	$ 109,035	$ 87,914	$ 81,077
Assessment for principal taxpayers (%) (Note 1)	**4.6**	3.4	4.1	4.1	4.4
Rates of taxation (mills):					
Single family residential	**6.20**	5.46	8.33	9.44	9.68
Other residential property	**6.80**	5.99	9.11	10.30	10.84
Commercial and industrial	**13.16**	14.68	17.25	19.17	21.17
Tax levy, collections, and arrears:					
Current year's levy:					
Property	**$ 1,062,115**	$ 958,935	$ 837,189	$ 765,755	$ 721,523
Business	**65,002**	89,054	107,489	99,594	95,113
Collections:					
Property	**$ 1,056,580**	$ 952,373	$ 835,374	$ 769,804	$ 720,313
Business	**65,123**	88,739	107,878	98,835	94,551
Arrears at December 31 (net):					
Property	**$ 36,716**	$ 30,575	$ 26,714	$ 23,622	$ 24,473
Business	**765**	1,251	1,200	1,646	2,318
Percentage of current property taxes collected	**98.1**	97.7	97.5	98.4	97.7
Percentage of net property tax arrears collected	**47.2**	58.9	79.6	66.2	69.7
Property tax arrears per capita (gross)	**$ 47.85**	$ 41.32	$ 42.20	$ 40.14	$ 43.51
Property tax arrears per capita (net)	**46.93**	40.64	36.58	32.34	34.35
Property tax levy per capita	**1,357.44**	1,274.48	1,146.25	1,048.45	1,012.82
Education taxes	**$ 314,899**	$ 289,916	$ 282,802	$ 267,885	$ 259,634

Source: The City of Edmonton Planning and Development Department.

Note:

1. Includes the ten highest taxpayers by assessment value.

STATISTICAL REVIEW FOR THE YEARS 2005 TO 2009
INVESTMENT FUNDS

Unaudited (in thousands of dollars)

	2009	2008	2007	2006	2005
Investment funds (Note 1)					
The Balanced Fund					
Net assets – market value	$ **548,118**	$ 472,897	$ 499,751	$ 487,445	$ 449,389
Net assets – cost	**538,234**	504,027	503,056	469,069	439,078
Net earnings	**9,127**	820	33,828	29,833	45,064
Fund rate (%)	**1.8**	0.2	7.2	6.8	12.3
Market (%)	**10.9**	(5.3)	2.7	8.6	9.5
Ed Tel Endowment Fund					
Net assets – market value	$ **589,938**	$ 541,021	$ 698,820	$ 726,830	$ 677,704
Net assets – cost	**570,932**	616,228	689,927	662,901	640,874
Net earnings (losses)	**(10,304)**	(29,700)	66,981	59,850	80,598
Fund rate (%)	**(1.8)**	(4.8)	9.7	9.0	12.6
Market (%)	**16.1**	(16.0)	2.0	13.1	12.3
Sanitary Servicing Strategy Fund (Note 2)					
Net assets – market value	$	$	$ 10,618	$ 20,564	$ 29,900
Net assets – cost			10,618	20,827	30,311
Net earnings		384	491	831	389
Fund rate (%)		N/A	4.6	4.0	1.3
Market (%)		N/A	3.0	3.0	3.0
The Sinking Fund					
Net assets – market value	$ **347,060**	$ 493,040	$ 611,656	$ 616,739	$ 570,641
Net assets – cost	**337,690**	477,467	605,470	606,933	554,114
Net earnings:					
Required	**20,564**	22,459	25,933	25,569	25,847
Excess (shortfall)	**(3,487)**	3,628	(226)	4,418	11,030
Total	**17,077**	26,087	25,707	29,987	36,877
Fund rate (%)	**5.1**	5.5	4.2	4.9	6.7
Market (%)	**2.2**	7.2	3.9	4.1	5.9

Source: The City of Edmonton Finance & Treasury Department.

Notes:

1. This schedule summarizes significant investment funds maintained by the City of Edmonton.
   a) Net earnings (losses) are realized earnings (losses) of the fund as calculated in accordance with generally accepted accounting principles for the public sector.
   b) Fund rate is the rate expressed as the earnings for the year over the weighted average of total assets employed.
   c) Market return is based on the time-weighted method, in accordance with industry standards.
2. The Sanitary Servicing Strategy Fund was established on July 29, 2005 and wound up as a separate investment fund on December 1, 2008.

STATISTICAL REVIEW FOR THE YEARS 2005 TO 2009
LONG-TERM DEBT

Unaudited (in thousands of dollars, except per capita)

	2009	2008 (Restated)	2007	2006	2005
Debenture borrowing					
Self-liquidating	$ 264,609	$ 87,231	$ 55,594	$ 53,136	$ 35,338
Tax-supported	345,257	234,443	191,163	49,119	47,928
	609,866	321,674	246,757	102,255	83,266
Debt limit per regulation (Note 1)	$ 3,233,906	$ 3,003,628	$ 3,157,284	$ 2,842,856	$ 2,721,190
Total debt limit used	1,492,566	1,043,438	761,402	546,877	473,435
Percentage used (%)	46.15	34.74	24.12	19.24	17.40
Debt service limit per regulation (Note 1)	565,934	525,635	552,525	497,500	476,208
Total debt service limit used	134,473	103,124	77,595	60,280	55,785
Percentage used (%)	23.76	19.62	14.04	12.12	11.71
General government debt service	67,449	54,853	38,278	29,497	26,729
General government debt service as a percentage of general government operating expenses	4.2	3.4	3.2	2.7	2.6
Long-term debt (gross)					
Self-liquidating	$ 1,210,142	$ 1,131,095	$ 1,221,789	$ 1,255,760	$ 1,249,185
Tax-supported	867,315	547,718	329,543	147,501	103,784
Long-term debt (net of Sinking Fund)					
Self-liquidating	$ 875,361	$ 685,024	$ 674,249	$ 708,198	$ 751,216
Tax-supported	867,315	547,718	329,543	147,501	103,784
Net debt per capita					
Self-liquidating	$ 1,119	$ 910	$ 923	$ 982	$ 1,054
Tax-supported	1,108	728	451	205	146
	$ 2,227	$ 1,638	$ 1,374	$ 1,187	$ 1,200
Percentage of total debt to be retired					
Within 5 years	26.3	31.5	36.4	42.5	46.3
Within 10 years	51.6	56.6	60.8	64.9	67.2

Source: The City of Edmonton Finance & Treasury Department.

Note:

1. The debt limit and debt service limit for 2008 have been restated to reflect the regulation changes around the revenue calculation to exclude developer contributed tangible capital assets. The information for years prior to 2008 has not been restated.

STATISTICAL REVIEW FOR THE YEARS 2005 TO 2009
CONSOLIDATED EXPENSES

Unaudited (in thousands of dollars)

Operating Expenses by Function (Note 1)

	2009	2008 (Restated)	2007	2006	2005
Transportation services	$ **569,337**	$ 547,944	$ 322,683	$ 292,434	$ 255,097
Protective services	**430,217**	433,190	379,313	342,901	323,057
Community services	**306,781**	298,088	246,532	229,717	197,292
Corporate administration, general municipal and other	**306,694**	269,304	170,168	163,911	169,326
Utility and enterprise services (Note 2)	**257,867**	186,597	107,414	88,777	94,147
Waste management (Note 2)		86,470	66,402	60,469	57,459
	$ **1,870,896**	$ 1,821,593	$ 1,292,512	$ 1,178,209	$ 1,096,378

Operating Expenses by Object (Note 1)

	2009	2008 (Restated)	2007	2006	2005
Salaries, wages and benefits	$ **996,142**	$ 934,463	$ 836,612	$ 755,325	$ 703,729
Materials, goods and utilities	**217,326**	240,840	175,893	140,605	138,954
Contracted and general services	**201,764**	206,733	205,400	205,895	188,237
Interest and bank charges	**64,938**	47,578	37,363	34,356	40,808
Grants and other	**92,655**	71,359	37,244	42,028	24,650
Amoritization	**294,240**	277,317			
Loss on disposal/replacement of tangible capital assets	**3,831**	43,303			
	$ **1,870,896**	$ 1,821,593	$ 1,292,512	$ 1,178,209	$ 1,096,378

Capital Additions by Financing Source (Note 3)

	2009	2008 (Restated)	2007	2006	2005
Capital Additions	$ **1,373,314**	$ 1,356,751	$ 870,770	$ 515,828	$ 428,574
Financing Sources Applied:					
General financing (Pay-As-You-Go)	**95,352**	116,580	99,558	89,330	81,220
Debenture borrowing	**461,739**	418,247	211,122	98,207	83,977
Government transfers – Federal	**10,590**	13,546	35,245	12,826	26,279
Government transfers – Provincial	**455,853**	415,248	310,664	125,795	98,411
Developer/partnership	**286,838**	219,674	110,598	123,133	68,726
Reserves/user fees/other	**62,942**	173,456	103,583	66,537	69,961
	$ **1,373,314**	$ 1,356,751	$ 870,770	$ 515,828	$ 428,574

Source: The City of Edmonton Finance & Treasury Department.

Notes:

1. Figures for 2008 have been restated to be consistent with the current year reporting model change. Years prior to 2008 have not been restated. Certain prior year comparative figures have been reclassified to conform to the financial statement presentation for the current year.
2. Waste Management expense of $109,705 has been included in the utility and enterprise services figure for 2009 as a result of the business model change to a full utility as of January 1, 2009.
3. Capital additions for 2009 and 2008 reflect the revised financial reporting model and PS 3150 – Tangible Capital Assets. Years prior to 2008 have not been restated.

STATISTICAL REVIEW FOR THE YEARS 2005 TO 2009
REVENUES AND RESERVES

Unaudited (in thousands of dollars)

Revenues – consolidated (Note 1)

	2009	2008 (Restated)	2007	2006	2005
Net taxes for municipal purposes	$ 837,766	$ 780,399	$ 683,746	$ 617,909	$ 577,680
User fees and sale of goods and services	452,983	461,843	468,188	392,881	374,737
Subsidiary operations	119,592	176,290	313,110	612,651	187,152
Government transfers – operating	108,581	83,096	58,950	54,219	55,016
Investment earnings	9,784	(11,509)	116,658	103,546	145,403
Franchise fees	95,283	76,116	68,599	65,011	62,019
Developer and customer contributions – operating	5	409	665	461	84
Fines and penalties	45,403	44,122	39,675	36,951	34,922
Licences and permits	33,599	41,132	44,517	36,379	30,875
Revenues before capital	1,702,996	1,651,898	1,794,108	1,920,008	1,467,888
Government transfers – capital	466,443	428,794	346,632	138,852	122,663
Developer and customer contributions – capital	274,623	218,038	97,644	114,071	79,859
Revenues - consolidated	$ 2,444,062	$ 2,298,730	$ 2,238,384	$ 2,172,931	$ 1,670,410

Reserves

	2009	2008 (Restated)	2007	2006	2005
General Government					
Financial Stabilization	$ 71,366	$ 85,413	$ 83,953	$ 79,368	$ 75,057
Financial Stabilization – appropriated	43,297	31,823	27,469	32,908	6,984
LRT	14,924	9,814	4,870	1,512	
Affordable housing	14,782	18,459	15,825	6,500	
Parkland reserve	12,683	12,618	6,590	11,022	9,279
Other	8,298	11,422	11,543	10,217	9,188
Funds in Lieu – residential	8,254	15,324	18,248	22,509	20,468
Enterprise portfolio / Commonwealth Stadium	7,990	6,752	7,408	6,151	7,079
Natural areas	5,058	5,251	4,290	3,122	2,122
Neighbourhood renewal	4,723				
Perpetual care	4,041	3,920	3,763	3,648	3,527
Tax-supported debt	1,090	8,731	5,283	4,165	3,169
Waste management rate stabilization		18,960	14,670	7,879	7,136
Benefit plan		6,500	5,661	4,770	4,467
	196,506	234,987	209,573	193,771	148,476
Edmonton Public Library Board (Note 2)	743	389	5,154	3,220	2,965
Edmonton Economic Development Corporation (Note 2)	1,590	1,560	938	536	841
	$ 198,839	$ 236,936	$ 215,665	$ 197,527	$ 152,282

Source: The City of Edmonton Finance & Treasury Department.

Notes:

1. Figures for 2008 have been restated. Certain prior year comparative figures have been reclassified to conform to the financial statement presentation for the current year.
2. During 2009, the Edmonton Public Library Board restated reserve balances for 2008. Balances for prior years have not been restated. The reserves for Edmonton Economic Development Corporation were previously reported within the operating fund balance and have been reclassified consistently for 2005-2009.

RELATED BOARDS AND AUTHORITIES

Further information regarding the related boards and authorities can be obtained from the following sources:

Edmonton Economic Development Corporation

3rd Floor, World Trade Centre Edmonton
9990 Jasper Avenue
Edmonton, Alberta T5J 1P7

Phone: 780-424-9191
Fax: 780-917-7668

E-mail: info@edmonton.com
Web: www.edmonton.com/eedc

Chair: Robert Carwell
President and CEO: Ron Gilbertson

Vehicle For Hire Commission

5th Floor, Allstream Tower
10250 – 101 Street
Edmonton, Alberta T5J 3P4

Phone: 780-496-5244
Fax: 780-496-6054

E-mail: taxicommissionadministration@edmonton.ca
Web: www.edmonton.ca

Chair: Hatem Naboulsi
Administrator: Phil Fearon

Edmonton Police Commission

Suite 171, 10235 – 101 Street
Edmonton, Alberta T5J 3E9

Phone: 780-414-7510
Fax: 780-414-7511

E-mail: info@edmontonpolicecommission.com
Web: www.edmontonpolicecommission.com

Chair: Brian Gibson
Chief of Police: Michael J. Boyd C.O.M.

The City of Edmonton Non-Profit Housing Corporation

4th Floor, Century Place
9803 – 102A Avenue
Edmonton, Alberta T5J 3A3

Phone: 780-496-5529
Fax: 780-496-1150

Web: www.edmonton.ca

Chair: Gail Fraser
General Manager: Terry J. Loat

EPCOR Utilities Inc.

EPCOR Centre
10065 Jasper Avenue
Edmonton, Alberta T5J 3B1

Phone: 780-412-3414
Fax: 780-412-3192

E-mail: corpafrs@epcor.ca
Web: www.epcor.ca

Chair: Hugh Bolton
President and CEO: Donald Lowry

Edmonton Public Library Board

7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4

Phone: 780-496-7000
Fax: 780-496-7097

Web: www.epl.ca

Chair: Joan Welch
CEO: Linda Cook

Information on the City of Edmonton is available at

www.edmonton.ca

Inquiries may also be directed to:

The City of Edmonton
Finance & Treasury Department
5th Floor, Chancery Hall
3 Sir Winston Churchill Square
Edmonton, Alberta, Canada T5J 2C3
780-496-4944

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